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CMS Finalizes 2012 Skilled Nursing Facility Payment Changes

By Jeanne Vance*

The Centers for Medicare & Medicaid Services (CMS) finalized changes for Medicare skilled nursing facility (SNF) payments for calendar year (CY) 2012. The final rule will be published in the August 8, 2011, *Federal Register*. CMS finalized an 11.1% decrease to SNF Medicare payments, reflecting the net effects of a downward recalibration of case-mix indexes, a market basket increase and a multi-factor productivity adjustment to the SNF prospective payment system (PPS) rates. In addition, CMS revised several SNF payment policies effective October 1, 2011.

Recalibration of Case-Mix Indexes

The Medicare program reimburses SNFs for services provided under a PPS system. The SNF PPS system uses a resource classification system known as Resource Utilization Groups Version 4 (RUG-IV) to determine the acuity level of residents, and corresponding daily payment rates. CMS implemented the use of RUG-IV for CY 2011 from a prior system. Rather than maintaining payment levels consistent with prior years, implementation of the RUG-IV system has resulted in a significant increase in Medicare SNF expenditures, according to CMS. Projections regarding the utilization of therapy modes in the new system have proved inaccurate. The downward adjustment to SNF reimbursement is to compensate for these issues in the implementation of RUG-IV.

Elimination of Therapy Student "Line-of-Sight" Supervision Requirements

To make SNF payment policies consistent with those for other provider types, CMS eliminated the "line-of-sight" level of supervision

requirement, which required therapy students providing services in SNF settings to be visible to a professional therapist while services are being delivered.

Changes to Group Therapy Payment Policies

CMS finalized changes to payment policies for group therapy. Effective October 1, 2011, group therapy will be payable for therapy services provided simultaneously to groups of four residents and therapy costs will have to be allocated among the members of the group therapy session.

Modifications to Therapy Reporting and Assessments

CMS finalized proposals to clarify: (1) when SNFs must complete an end-of-therapy assessment for patients who go three consecutive days without therapy; (2) eliminate the distinction between five-day and seven-day-a-week facilities for purposes of completing the end-of-therapy assessment; and (3) ease the process for patients who resume therapy after a brief interruption. In addition, SNFs will now be required to complete a Change of Therapy assessment for residents classified into a RUG-IV therapy group whenever the intensity of therapy changes to an extent that it would no longer reflect the RUG-IV classification and payment assigned for a given SNF resident based on the resident's most recent assessment.

Ownership Disclosure Changes Postponed

CMS deferred implementation of provider enrollment changes to expand reporting requirements for SNFs upon initial enrollment and changes of ownership that were originally proposed as a part of this rule.

The final rule will be effective as of October 1, 2011. CMS issued a [press release](#) to accompany the rule's release.

**We would like to thank Jeanne Vance, Esquire (Salem & Green, Sacramento, CA), for providing this email alert.*

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