

AHCA's Answer to CMS' Proposed Rule

In late April 2011, the Centers for Medicare & Medicaid Services (CMS) released the annual Skilled Nursing Facility (SNF) Prospective Payment System (PPS) Proposed Rule for FY 2012. The proposed rule for determining the payment rates to SNFs provides for two very different scenarios and seeks input as CMS decides which to implement on October 1.

Option One

The first option would greatly impact nursing facilities, the economic benefits they bring to communities, and the care they provide to millions of older Americans. In this proposal, CMS is attempting to correct what it believes is a projection error in the new payment system. In short, the rule states that CMS must cut reimbursement rates immediately by approximately 12.8 percent, or nearly \$4.5 billion.

Option Two

Option two would simply implement a 2.7 percent cost of living adjustment for FY 2012. A 1.2 percent cut would then be applied as a result of Medicare cuts to skilled nursing facilities included in the *Affordable Care Act*. The net result is that SNFs would see an update of 1.5 percent in Medicare reimbursement.

Option one would serve as a destabilizing reduction for nursing facilities. Reducing overall Medicare rates by a total of more than \$4 billion would mean forcing nursing facilities to make significant operational changes to absorb such a cut. Labor is 70 percent of a skilled nursing facility's operational costs, and an immediate decrease of this magnitude would put more than 100,000 jobs at risk. AHCA is advocating that CMS phase in the cut over several years to give nursing facilities time to absorb reductions and maintain their quality of care for residents.

Additionally, CMS has based the proposed cut in option one on less than one year's worth of data. Traditionally, the agency compiles an entire year of data before making any payment adjustments and implements cuts over a multi-year period. Without comprehensive data, we are concerned that CMS has overreached in its projections to return to a budget neutral payment system to SNFs. AHCA understands CMS' goal to achieve budget neutrality, but not at the expense of jeopardizing the care and jobs nursing facilities provide.

AHCA aims to work closely with the Congress, the Administration and CMS to come to a solution that will be productive for all those involved. In fact, we have put forth a solution that we believe accomplishes this ultimate goal. AHCA has proposed a Medicare rate reduction of 3 percent, plus the elimination of this year's market basket update of 1.5 percent effective October 2011. We then ask CMS to evaluate the payment expenditures after one year to see if additional cuts are warranted. Most importantly, any overpayment made through this phase-down period would be returned to the U.S. Treasury through prospective adjustments.

AHCA urges all House and Senate Members to carry this message of a more balanced, measured approach to leadership to ensure that a stable long term care sector can continue to provide quality care to our nation's elderly.

Ask Congress...

- That CMS work closely with the profession and take a measured approach before any reduction is made to SNF payments. Urge your House or Senate Member to contact their Leadership in the House and Senate to carry this message to CMS to ensure continued economic stability.

Key Facts

- The FY 2012 Skilled Nursing Facility Prospective Payment System proposed rule from CMS includes two different scenarios.
- The first option would cut the Medicare reimbursement rate immediately, hindering the ability of nursing facilities to provide quality care and contribute to the economy.
- Labor is 70 percent of a skilled nursing facility's operational costs, and an immediate reduction of this magnitude would put more than 100,000 jobs at risk.
- The second option is the more modest approach, increasing the rate by 1.5%.
- AHCA remains hopeful that the Administration will adopt a balanced rule that provides stable funding to SNFs.

Contact

- Jeff Myers
jmyers@ahca.org
- MaryAnne Sapio
msapio@ahca.org