Eli's Rehab Report

Reimbursement: Improve Quality (And Meet Reporting Requirements) Or Pay The Price

SNFs, IRFs, LTCHs: Get set for a major reimbursement revamp next year.

It's that time again time for **Centers for Medicare and Medicaid Services** (CMS) to release its annual payment proposals for the inpatient sector. The inpatient prospective payment systems (IPPS) announced on April 23 came as a mixed bag for the acute and post-acute care facilities.

Skilled nursing facilities (SNFs) can look forward to a windfall with payments increased by $500 million in 2016 representing a net increase of 1.4 percent. But there is a catch.

Background: The Improving Medicare Post-Acute Care Transformation Act of 2014 (IMPACT Act) mandated standardization of how data is collected and used across post-acute care settings. In keeping with its provisions, CMS announced its payments rules for 2016, which include a potential loss of Medicare and Medicaid funding for SNFs that don't meet quality improvement and reporting requirements.

SNFs: Watch Out For Penalties

Staffing: You will need to submit data on your direct employees, agency employees, and contract staff regarding hours of care provided per-resident per-day, including total hours worked; staff tenure and turnover; resident case-mix and census. Trying to fly under the radar will attract undesired attention and put your facility at risk of exclusion from Medicare and Medicaid for non-compliance.

Changes to functional and cognitive status: Since quality of care is high on the priority list of the IMPACT Act, reporting on quality measures of not just skin integrity and pressure ulcers, but also changes to residents' functional and cognitive status could affect your facility's bottom line adversely.

Prepare for Proposed Changes to IRF Policies and Rates

Under the proposal, inpatient rehabilitation facilities prospective payment system (IRF PPS) payments would undergo a 1.9 percent increase factor beginning Jan 1, 2016. An additional 0.2 percent decrease to aggregate payments due to updating the outlier threshold would result in an overall update of 1.7 percent (or $130 million), relative to payments in FY 2015.

"This is a significant increase," says **Duane C. Abbey, PhD,** president of **Abbey and Abbey Consultants Inc.,** in Ames, IA. "While many in the IRF world would probably claim that this is not enough of an increase, it is certainly a step in the right direction."

No changes to the facility-level adjustments: CMS froze the facility-level adjustment factors at the FY 2014 levels for FY 2015 onwards, until future notice and comment before further rulemaking.

"I am not certain how much of an impact individual IRFs can have in this area," admits Abbey. "The changes are specific enough so that financial analysts will be able to assess impact."

IRF-specific market basket: For FY 2016, CMS proposes an IRF-specific market basket to replace the Rehabilitation, Psychiatric and Long-Term Care (RPL) market basket, using the FY 2012 Medicare cost report data of the freestanding and hospital-based IRFs.

Three New Reporting Domains Introduced For IRFs And LTCHs

While ADLs, self-care and mobility will be added later to quality measures, IRFs and long-term care hospitals (LTCHs) need to report incidence of falls, changes in cognitive ability and percentage of residents with new or worsened pressure ulcers to be able to meet quality reporting requirements.

Additionally, LTCHs need to demonstrate adoption and meaningful use of electronic health records (EHRs) to avoid penalties. On the other hand, successful participation in the hospital inpatient quality reporting program (IQR) will set the stage for a 1.1 percent increase in operating payment rates.

The domains and the quality measures proposed are as follows:

Domain 1. Skin integrity and changes in skin integrity:

Quality Measure: NQF #0678 (Percent of Residents or Patients with Pressure Ulcers That Are New or Worsened);

Domain 2. Functional status, cognitive function, and changes in function and cognitive function:

Quality Measure: NQF #2631; under review (Application of the "Percent of Long-Term Care Hospital Patients With an Admission and Discharge Functional Assessment and a Care Plan that Addresses Function");

Domain 3. Incidence of major falls:

Quality Measure: NQF #0674 (Application of the "Percent of Residents Experiencing One or More Falls with Major Injury").

In 2016, these measures are also to be implemented in Long-term Care Hospitals (LTCHs), IRFs, Skilled Nursing Facilities and Home Health Agencies. IRFs that fail to comply will face a two percentage point reduction to their applicable FY annual increase factor.

In addition to the measures listed above, CMS also proposes to publicly report IRF quality reporting program quality data beginning in fall 2016. There would be a period for review and correction of quality data prior to the public display of IRF performance data.

How you should prepare: Keep these proposed changes in mind as you lay down your budgets and financial strategies for the next year. Also familiarize yourself with the new measures that you would need to use next year.

"These quality measures have been known for some time," divulges Abbey. "Thus, any implementation should not come as a surprise. If no work has been done in this area, then appropriate systems will have to be developed and implemented."

You still have time to go through the proposed rule, and suggest changes. Comments on the proposed rule can be made until June 22, 2015. The proposed rule is available online at http://federalregister.gov/a/2015-09617.