MDS Alert

Medicare Part A: CMS Targets Rehab Reimbursement

Check out the Oct. 1 Part A payment change.

In the SNF PPS final rule, CMS says it projects that "aggregate payments for FY 2012 will decrease by 11.1 percent, assuming that facilities do not change their care delivery and billing practices in response."

The rate decline comes from a recalibration of the rehab RUGs, says **Steve Jones, CPA,** director of the SNF practice group at Moore Stephens Lovelace, PA, in Clearwater, Fla.

Reason for recalibration: In formulating the final rule, "CMS had eight months of RUGs data and it confirmed that [SNF] days were more skewed towards the high-end rehab categories (as indicated in its earlier data) than originally anticipated," says Jones, director of the SNF practice group at Moore Stephens Lovelace, PA, in Clearwater, Fla. Also, "CMS got blasted by both MedPAC (again), and the OIG for the FY 2011 'overpayments,'" he adds.

"CMS is under a great deal of pressure to watch that Medicare dollars stay neutral or decrease," observes **Peter Arbuthnot, RAC-CT,** regulatory analyst for American HealthTech in Jackson, Miss. "Perhaps, if continued data analysis had shown a decrease in upper therapy usage, CMS would have considered a delay or a reduction in the parity adjustment."

Upside: Jones points out that the increase in SNF payments for FY 2011 represented "a nice boost to offset Medicaid reductions which are increasing almost everywhere." And "CMS noted that even with the reduction, the FY 2012 rates will be 3.4 percent higher than the FY 2010 rates," Jones adds.

Industry Groups Weigh In

"If CMS paid too much and wants the money back, that's fair," says **Cynthia Morton,** executive VP of the National Association for Support of Long Term Care. "But we advocated phasing it in, especially in these tough economic times so that we can maintain stability," Morton tells Eli.

In a press statement on the final rule, **Mark Parkinson,** CEO of the American Health Care Association, charged that the "CMS rule makes reductions beyond what is necessary for budget neutrality." In the release, Parkinson described the "drastic cuts" as "unnecessary," noting that nursing facilities "already face drastic cuts to Medicaid at the state level and a fragile economic recovery."

"Bear in mind," Jones says, "that the Medicaid picture could get much bleaker in a number of states if rumblings I'm hearing of a federal phase-out of provider taxes/assessments comes to pass."

In Jones' view, "Going forward, providers should continue to seek congressional relief for a phased-in approach of the parity adjustment." They should "temper their expectations," however, because Congress in dealingwith the debt ceiling "is looking for potential Medicare savings," Jones points out. Congressional lawmakers "also need to see if they can fund repeal of the Medicare Physician Fee Schedule Sustainable Growth Rate CY 2012 adjustment, which is currently 29 percent."

Experts Predict Impact

Rena Shephard, MHA, RN, RAC-MT, C-NE , notes that "how the 2012 cut affects a particular provider depends on whether that provider ramped up spending on staffing and other costs for FY 2011 due to the increase in reimbursement. Certainly it would have affected their budgeting and other planning," adds Shephard, president and CEO of RRS Healthcare Consulting Services in San Diego.

"It seems like the reduced RUG payments for therapy RUGs will force facilities to pay more attention to clinical RUGs, in addition to therapy now," says Arbuthnot.

Editor's note: Review the federal urban and rural unadjusted RUG rates in the SNF PPS final rule for FY 2012 at www.ofr.gov/OFRUpload/OFRData/2011-19544_PI.pdf.