# MDS Alert

## Medicare Payment: The Resident Is RUGing Into What?!

**Understand how the RUG grouper selects a RUG when a resident's MDS qualifies him for more than one**.

What you don't know about how the RUG system works can hurt your facility's revenue flow or cause you to spin your wheels unnecessarily.

For example, you can't rely on the RUG structural hierarchy to explain which RUGs have the highest rates in descending order.

The answer to that fiscal riddle lies in what's known as case-mix index (CMI) maximization. That concept explains why the RUG software grouper selects a certain RUG when a resident's MDS qualifies him for more than one.

**Here's How It Works**

The **Centers for Medicare & Medicaid Services** has assigned a CMI to each RUG under the current RUG-44 system and also the RUG-53 model going into effect on Jan. 1.

The CMIs and payment rates are based on staff time measurement studies for nursing and therapy, explains **Peter Arbuthnot**, regulatory industry analyst with **American HealthTech Inc**. in Jackson, MS. (CMS is, in fact, getting ready to do another staff measurement time study to recalibrate the RUGs.

When a resident's MDS qualifies him for more than one RUG classification, the RUG grouper will select the category with the highest rate based on CMI maximization. (To review the ordinal ranking of the index maximized RUGs for urban and rural, see the charts later in this issue.)

The RUG selected by the grouper thus won't necessarily be the highest one in the structural hierarchy when a resident qualifies for more than one. That's true under the current RUG-44 system and in the RUG-53 scheme going into effect on Jan. 1.

But understanding how CMI maximization works may be more important with the new RUG system because it includes nine new RUGs for residents requiring both therapy and intensive nursing services (IVs, IV meds, suctioning, tracheostomy care or ventilators).

"By understanding case-mix index maximizing, nursing facilities won't waste energy trying to figure out why a resident grouped into a particular RUG or what they will be paid," advises **Rena Shephard, RN, MHA, FACDONA**, president of RRS Healthcare Consulting in San Diego.

As one example, in the RUG-53 system, RML (rehab medium plus extensive services, low) pays more than RHX (rehab high plus extensive services, high), even though the latter is higher in the RUG structural hierarchy, observes Shephard.

**Check Out This Example Of CMI Maximization**

Say a resident's MDS qualifies him for both an RMX and RVL category. The CMI for RVL is 46 while the CMI for RMX is 47 even though RVL comes before RMX in the RUG structural hierarchy, notes **Marilyn Mines, RN, BC**, director of clinical services for **FR&R Healthcare Consulting** in Deerfield, IL.

The RUG grouper will put the resident in an RMX category, which pays $415.57 (urban) per day compared to RVL, which

pays $399.34, notes Mines.

**In a nutshell:** The RUG grouper selects the RUG category based on an ordinal ranking of RUGs from 53 to 1 designed to reflect the urban and rural national rates. An individual skilled nursing facility's final RUG rate varies based on the facility's location, Arbuthnot adds.