



## MedPAC Opposes Medicare FY2017 Payment Increases for SNFs and Pushes for Payment Reform

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The Medicare Payment Advisory Commission (MedPAC) issued a letter on May 25, 2016, commenting on the Centers for Medicare & Medicaid Services' (CMS) proposed rule relating to payment updates for skilled nursing facilities (SNFs).<sup>1</sup> The letter, entitled "Medicare Program; Prospective Payment System and Consolidated Billing for Skilled Nursing Facilities for FY 2017, SNF Value-Based Purchasing Program, SNF quality reporting, and SNF payment research," was published on April 25, 2016, and includes comments on the following four areas: the proposed payment update, research on the design of a SNF prospective payment system (PPS), value-based purchasing, and quality reporting.

MedPAC opposes CMS's proposal to increase Medicare payment rates for SNFs by 2.1 percent, which would result in an increase in payments to SNFs by an estimated \$800 million in FY 2017. MedPAC acknowledges that CMS is required by law to update the SNF PPS rates; however, it is the position of MedPAC that the current SNF payment rates are "more than adequate to accommodate cost growth" based on information that Medicare margins for freestanding SNFs continue to exceed ten percent. The MedPAC letter expresses "growing impatience" with respect to the lack of payment reform in the SNF setting. MedPAC also suggests an elimination of the market basket update for FY 2017 and FY 2018, during which time CMS should revise the SNF PPS.

MedPAC also comments on the process set forth by CMS in the proposed rule that will be used to consider alternative designs for SNF PPS, which includes the creation of two technical expert panels that will address the therapy and nursing components of the payment model. MedPAC criticizes CMS for failing to address the shortcomings of the current SNF PPS and for failing to include a timeline for when reforms will be implemented. MedPAC has provided a report to Congress outlining a proposed payment system that would span the four post-acute care settings: inpatient rehabilitation facilities, SNFs, some home health agencies, and long-term acute care hospitals. MedPAC "urges CMS to pick a strategy and move as expeditiously as possible towards much needed payment reform in this setting."

The letter also addresses value-based purchasing requirements for SNFs under the Protecting Access to Medicare Act (PAMA) of 2014. MedPAC supports the value-based purchasing policies, but urges CMS to broaden the scope to include additional post-acute care outcome measures beyond those set forth in PAMA.

With respect to quality and resource use reporting required under the IMPACT Act of 2014, MedPAC comments on the four measures proposed by CMS for adopting the SNF quality reporting program: drug regimen review with follow-up, the resource use measure, discharge to community, and potentially preventable readmissions within 30 days after discharge from the SNF. MedPAC, among other recommendations, urges CMS to move towards the reporting of cross-cutting quality measures for all providers in each setting in order to promote transparency for beneficiaries and competition across providers. MedPAC has provided similar commentary with respect to the opposition of payment increases for hospices<sup>2</sup> and inpatient rehabilitation facilities.<sup>3</sup>

<sup>1</sup> The MedPAC letter can be viewed in its entirety by clicking here ([http://www.medpac.gov/documents/comment-letters/052516\\_cms\\_snf\\_comment\\_letter.pdf?sfvrsn=0](http://www.medpac.gov/documents/comment-letters/052516_cms_snf_comment_letter.pdf?sfvrsn=0)) (Last accessed June 3, 2016.)

<sup>2</sup> See (<http://www.medpac.gov/documents/comment-letters/medpac-comment-on-cms-s-proposed-fy-2017-hospice-payment-rate-update-and-hospice-quality-report-requirements.pdf?sfvrsn=0>) (Last accessed June 3, 2016.)

<sup>3</sup> See ([http://www.medpac.gov/documents/comment-letters/052516\\_cms\\_irf\\_update\\_payment\\_rates.pdf?sfvrsn=0](http://www.medpac.gov/documents/comment-letters/052516_cms_irf_update_payment_rates.pdf?sfvrsn=0)) (Last accessed June 3, 2016.)

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