Efforts to reform SNF PPS: an update

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Overview of SNF PPS design

- Daily payment consists of 3 components
  - Nursing
  - Therapy
  - Other (room and board)
- RUGs are used to case-mix adjust payments
- RUGs use therapy minutes to group stays

Problems with the SNF PPS

- Does not adequately adjust payments for differences in NTA costs
- Payments vary with amount of therapy furnished

Reform approaches

- NTA: Create a separate component to pay for these services

- Therapy: Replace current component
  - Use patient and stay characteristics to predict care needs
  - Payments are not based on how much therapy a patient receives

Criteria to judge alternative designs

- Ability to predict costs
- Results in payments that are proportional to costs
- Data requirements
- Ease of implementation and administration

Patient and stay characteristics used to predict per day costs

Patient

- Age
- Physical and mental status
- Ability to perform ADLs
- Diagnoses from prior hospital stay
- Prior nursing home resident

Stay

- Broad stay classification
- IV meds or respiratory care (yes/no)
- Number of patient assessments

Modeling approach

- Predict NTA and therapy costs per day, not total stay costs
- Compare current policy, a “full” model, and a “selective” model
- Selective models exclude
  - variables based on hospital data
  - IV medications
  - age

Alternative models substantially improve ability to predict NTA costs

Evaluation measure	Current policy	Full model	Selective model
Stay analysis			
Share of costs explained	5%	23%	17%
Share of high costs cases predicted	25%	45%	38%
Facility level analysis			
Share of costs explained	13%	31%	26%
NTA CMI coefficient	2.34	1.15	1.17

Selective model excludes hospital variables, age, or IV medications

Source: Preliminary results from the Urban Institute, 2007

Selective model can predict therapy costs reasonably well

Evaluation measure	Current policy	Full model	Full model + rehab indicator	Selective model
Stay analysis				
Share of costs explained	36%	19%	34%	33%
Share of high costs cases predicted	32%	25%	28%	26%
Facility analysis				
Share of costs explained	38%	15%	35%	35%
Therapy CMI coefficient	0.79	0.82	1.07	1.08

Selective model excludes hospital variables, age, or IV medications

Source: Preliminary results from the Urban Institute, 2007.

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Implementation requirements for CMS

- Change payment calculations
- Modify claims and cost reports to conform with new component designs
- If final component designs include:
  - IV medication and respiratory care: merge SNF claim and MDS data
  - Diagnosis information from hospital: match hospital claims with SNF stay information

Implementation requirements for providers

- No new data are required
- Providers must learn new PPS design
- If MDS is modified: assessors need training on the changes
- If new design includes hospital diagnoses:
  - Requires information transfer between hospital and SNF
  - Highlights the need for information technology

Next steps

- Combine NTA and therapy models to see how they predict total ancillary costs
- Estimate the impacts of the changes
- Consider an outlier policy