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# CMS Manual System

Department of Health & Human  
Services (DHHS)

## Pub. 100-04 Medicare Claims Processing

Centers for Medicare & Medicaid  
Services (CMS)

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Transmittal 413

Date: DECEMBER 23, 2004

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CHANGE REQUEST 3651

**SUBJECT: Medicare Part A Skilled Nursing Facility (SNF) Prospective Payment System (PPS) Pricer Update FY 2005 for 9 Metropolitan Statistical Areas (MSAs) with New Wage Index Values Effective January 1, 2005**

**I. SUMMARY OF CHANGES:** This instruction provides information on updates to the wage index for 9 Metropolitan Statistical Areas (MSAs). The wage index update effects the payment rates used under the Prospective Payment System (PPS) for Skilled Nursing Facilities (SNF) for FY 2005. The new wage index values will be available in an updated Pricer. Fiscal Intermediaries (FIs) with providers in the 9 effected MSAs shall apply the new wage index effective January 1, 2005. Providers in these MSAs will need to split their billing so that the new wage index is used starting January 1, 2005. All other providers shall continue their usual billing process.

**NEW/REVISED MATERIAL - EFFECTIVE DATE: January 1, 2005**

**\*IMPLEMENTATION DATE: January 17, 2005**

*Disclaimer for manual changes only: The revision date and transmittal number apply to the red italicized material only. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.*

**II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual not updated.)**

**(R = REVISED, N = NEW, D = DELETED)**

R/N/D	CHAPTER/SECTION/SUBSECTION/TITLE
R	6/Table of Contents
N	6/30.6 SNF PPS Pricer Software

**\*III. FUNDING:**

**These instructions shall be implemented within your current operating budget.**

**IV. ATTACHMENTS:**

	<b>Business Requirements</b>
<b>X</b>	<b>Manual Instruction</b>
	<b>Confidential Requirements</b>
	<b>One-Time Notification</b>
<b>X</b>	<b>Recurring Update Notification</b>

**\*Medicare contractors only**



# Attachment – Recurring Update Notification

<b>Pub. 100-04</b>	<b>Transmittal: 413</b>	<b>Date: December 23, 2004</b>	<b>Change Request 3651</b>
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**SUBJECT: Medicare Part A Skilled Nursing Facility (SNF) Prospective Payment System (PPS) Pricer Update FY 2005 for 9 Metropolitan Statistical Areas (MSAs) with New Wage Index Values Effective January 1, 2005**

## I. GENERAL INFORMATION

This instruction provides information on updates to the wage index for the 9 MSAs listed below:

MSA	Old Value	New Value
3960 – Lake Charles, LA	0.7959	0.7972
4280 – Lexington, KY	0.8053	0.9219
5000 – Miami, FL	1.0225	0.9870
5380 – Nassau-Suffolk, NY	1.2921	1.2907
5600 – New York, NY	1.3587	1.3586
6780 – Riverside-San Bernardino, CA	1.0975	1.0970
8780 – Visalia-Tulare-Porterville, CA	0.9964	0.9975
8960 – West Palm Beach-Boca Raton, FL	1.0059	1.0362
9040 - Wichita, KS	0.9472	0.9486

**A. Background:** Annual updates to the PPS rates are required by §1888(e) of the Social Security Act, as amended by the Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act of 1999 (the BBRA), and the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 (the BIPA), relating to Medicare payments and consolidated billing for SNFs.

**B. Policy:** CMS published the SNF payment rates for FY 2005 (that is, beginning October 1, 2004 through September 30, 2005), in the Federal Register on July 30, 2004 (69 FR 45775). CMS published a Correction Notice to the SNF payment rates for FY 2005 on October 7, 2004 (69 FR 60158). CMS will publish the changes to these 9 MSAs in a Correction Notice on December 23, 2004.

### C. Provider Education:

Contractors shall post this entire instruction, or a direct link to this instruction, on their Web site and include information about it in a listserv message within one week of the release of this instruction. In addition, the entire instruction must be included in your next regularly scheduled bulletin.

## II. BUSINESS REQUIREMENTS

*“Shall” denotes a mandatory requirement*

*“Should” denotes an optional requirement*

Requirement Number	Requirements	Responsibility (“X” indicates the columns that apply)
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		F I	R H H I	C a r r i e r	D M E R C	Shared System Maintainers				Other
						F I S S	M C S	V M S	C W F	
3651.1	Medicare systems shall apply the latest FY 2005 SNF PPS payment rates that include updated wage index values effective January 1, 2005.	X				X				Pricer, SSM
3651.2	Intermediaries shall post either a summary or relevant portions of this instruction on their Web sites to educate providers within 1 week of the issuance date of this CR and have this information published in their next regularly scheduled bulletin. If you have a listserv that targets the affected provider communities, you must use it to notify subscribers that information about the “Annual Update for Skilled Nursing Facilities” is available on your Web site.	X								
3651.3	Providers in these MSAs will need to split their billing so that the new wage index is used starting January 1, 2005.	X								

### III. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

#### A. Other Instructions:

X-Ref Requirement #	Instructions
3651.1	The new SNF Pricer module will contain the new wage index values for the 9 effected MSAs.

#### B. Design Considerations: N/A

X-Ref Requirement #	Recommendation for Medicare System Requirements

#### C. Interfaces: N/A

#### D. Contractor Financial Reporting /Workload Impact: N/A

**E. Dependencies:** N/A

**F. Testing Considerations:** N/A

**IV. SCHEDULE, CONTACTS, AND FUNDING**

<p><b>Effective Date*:</b> January 1, 2005</p> <p><b>Implementation Date:</b> January 17, 2005</p> <p><b>Pre-Implementation Contact(s):</b> August Nemec 410-786-0612 or Jeanette Kranacs 410-786-9385</p> <p><b>Post-Implementation Contact(s):</b> Pricer Questions: David Panuska 410-786-1835 Policy Questions: Jeanette Kranacs 410-786-9385</p>	<p><b>Medicare contractors shall implement these instructions within their current operating budgets.</b></p>
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**\*Unless otherwise specified, the effective date is the date of service.**

## *30.6 - SNF PPS Pricer Software*

### ***30.6 – SNF PPS Pricer Software***

***(Rev. 413, Issued 12-23-04, Effective: 01-01-05, Implementation: 01-17-05)***

*The Balanced Budget Act (BBA) of 1997 (Public Law 105-33) mandated the implementation of a per diem prospective payment system (PPS) for skilled nursing facilities (SNFs), covering all costs (routine, ancillary, and capital) of covered SNF services furnished to beneficiaries under Part A of the Medicare program, effective for cost reporting periods beginning on or after July 1, 1998.*

*The CMS has developed a SNF Pricer Program that calculates the Medicare payment rate. CMS provides a Pricer program to determine the price upon which to base payment under prospective payment. The Pricer is available electronically to the Shared Systems and is updated at least annually. The SNF Pricer Program can be found at: <http://www.cms.hhs.gov/providers/pricer/default.asp?>*