

Final Rule Payment Changes Released for SNFs, Hospices, and IPFs

On July 31, 2020, the *Centers for Medicare & Medicaid Services* (CMS) released finalized Medicare payment rules for three types of providers: *skilled nursing facilities* (SNFs), hospices, and *inpatient psychiatric facilities* (IPFs).¹ While these *prospective payment system* (PPS) updates for *Fiscal Year* (FY) 2021, which go into effect on October 1, 2020, aim to better align payments among these three providers, CMS largely limited their rulemaking, in recognition of the “*significant impact of the COVID-19 public health emergency, and limited capacity of health care providers to review and provide comment on extensive proposals.*”²

While this *Health Capital Topics* article will discuss each finalized payment rule separately, one change that is pervasive across all three updates is CMS’s adoption of the revised statistical area delineations by the *Office of Management and Budget* (OMB). These statistical area delineations are used by these payment systems in calculating their respective wage indexes, based on whether a provider is in an urban or rural area.³ CMS will adopt the most recent OMB delineations in FY 2021 to better define these areas and facilitate more accurate measurements.⁴ To guard against any large decreases in reimbursement as a result of a reclassification, CMS has implemented a cap of 5% on any provider wage index decreases (as a result of the updated delineations) under these payment systems for FY 2021.⁵

SNF PPS Final Rule for 2021

The changes to the SNF PPS include a 2.2% increase in payment rates (based on a 2.2% market basket increase and no productivity adjustment), with total projected payments for FY 2021 totaling \$750 million.⁶ This adjustment works out to per diem federal rates as follows:

Final FY 2021 SNF PPS Unadjusted Federal Rates Per Diem⁷

Rate Component	Urban	Rural
Physical Therapy	\$62.04	\$70.72
Occupational Therapy	\$57.75	\$64.95
Speech-Language Pathology	\$23.16	\$29.18
Nursing	\$108.16	\$103.34
Non-Therapy Ancillaries	\$81.60	\$77.96
Non-Case Mix Adjusted	\$96.85	\$98.64

The 2.2% overall payment rate increase is less than both the FY 2020 increase of 2.4% and the FY 2021 proposed rule’s anticipated increase of 2.7%.⁸

CMS also finalized several changes and additions to the *International Classification of Diseases, 10th Revision* (ICD-10), which will affect the *SNF Patient Driven Payment Model* (PDPM).⁹ The PDPM is a new case-mix classification system established in FY 2019, which utilizes ICD-10 codes in several ways, including assigning patients to clinical categories and adding in clinical categories for major procedures during prior inpatient stays that could impact the patient’s plan of care.¹⁰ Code changes made for FY 2021 include:

- (1) Codes created within surgical default clinical categories where no surgery was performed; and,
- (2) Codes added to existing ICD-10 categories to account for subsequent care.¹¹

Lastly, minor changes to the *SNF Value-Based Purchasing* (VBP) program were finalized, but most policies and procedures remained consistent with FY 2020.¹²

Separately, CMS added provisions to help those SNF providers that are offering telehealth visit options for their patients. While CMS has not waived billing requirements during the COVID-19 pandemic, it has added new codes so that more telehealth services to Medicare beneficiaries can be reimbursed.¹³ The newest code additions, which include telephone evaluation and physician management services, represent an ongoing expansion of telehealth codes by CMS to aid providers during (and possibly beyond) the pandemic.¹⁴

Hospice Payment System Final Rule for 2021

Similar to SNFs, hospice payment rates will increase 2.4% in FY 2021 (based on a 2.4% market basket increase and no productivity adjustment) – for a total of \$540 million.¹⁵ The hospice cap amount, which limits the total amount of payments made to a hospice in an annual period, will also increase 2.4% in FY 2021, to \$30,683.93.¹⁶ These payment increases are lower than the FY 2020 increase of 2.6%;¹⁷ further, hospices who do not meet quality guidelines will only receive a 0.4% increase.¹⁸ The final rates for hospices with satisfactory quality data are set forth below:

Final FY 2021 Hospice Medicare Reimbursement Rates¹⁹

Service	Daily Reimbursement Rate
Routine Home Care (≤ 60 Days)	\$199.25
Routine Home Care (> 60 Days)	\$157.49
Continuous Home Care	\$1,432.41 (\$59.68/hour)
Respite Care	\$461.09
General Inpatient Care	\$1,045.66

IPF PPS Final Rule for 2021

CMS adjusted IPF PPS payments for FY 2021 by 2.2% (based on a 2.2% market basket increase and no productivity adjustment),²⁰ for a total increase of \$95 million.²¹ This increase is less than FY 2019's 2.9% adjustment.²² The federal per diem base rate for IPF was increased to \$815.22 for those who report quality data and to \$799.27 for those who do not.²³ In addition, the IPF PPS final rule made the following changes:

- (1) Payments changed for certain types of therapies;²⁴
- (2) Labor-related share increased 0.4% for FY 2021²⁵ compared to 2.1% in FY 2020;²⁶
- (3) Wage index budget neutrality factor set to 0.9989 in 2021,²⁷ lower than the 1.0026 factor in FY 2020;²⁸ and
- (4) Fixed dollar loss threshold decreased by \$330,²⁹ compared to an increase of over \$2,000 in FY 2020.³⁰

CMS also finalized measures that would allow IPF non-physician practitioners (e.g., physician assistants, nurse practitioners, psychologists, clinical nurse specialists) to operate within state scope of practice laws by documenting progress in the medical record of psychiatric hospital patients.³¹ This corrects some previously inconsistent regulations related to this matter.³²

The CMS changes to its SNF, hospice, and IPF payment systems for FY 2021 reflect many of the stakeholder criticisms, comments, concerns, and suggestions made during the comment period, but do not take into account the numerous issues highlighted by the current pandemic. CMS reflected on the uncertainty and unknowns associated with COVID-19 and discussed the particularly apparent economic repercussions throughout the healthcare industry from the pandemic and associated lockdown measures.³³ CMS cited several varying projections and a lack of certain types of data as their reasons for not permanently implementing many of the COVID-19 changes, adjustments, and allowances suggested by stakeholders in these final rules.³⁴ Instead, CMS opted to make several (relatively minimal) across-the-board changes, including increasing payment rates and implementing the newest OMB delineation data, with protections for those negatively impacted, leaving providers to wonder whether those issues highlighted by the current pandemic will be addressed independently, or at all.

1 "CMS Updates Medicare Payment Policies for Several Types of Healthcare Providers" Centers for Medicare & Medicaid Services, July 31, 2020, <https://www.cms.gov/newsroom/press-releases/cms-updates-medicare-payment-policies-several-types-healthcare-providers> (Accessed 8/3/20).

2 *Ibid.*; "Medicare Program; Prospective Payment System and Consolidated Billing for Skilled Nursing Facilities; Updates to the Value-Based Purchasing Program for Federal Fiscal Year 2021" Federal Register Vol. 85, No. 151 (August 5, 2020) p. 47594; "Medicare Program; FY 2021 Hospice Wage Index and Payment Rate Update" Federal Register Vol. 85, No. 150 (August 4, 2020) p. 47070; "Medicare Program; FY 2021 Inpatient Psychiatric Facilities Prospective Payment System (IPF PPS) and Special Requirements for Psychiatric Hospitals for Fiscal Year Beginning October 1, 2020 (FY 2021)" Federal Register Vol. 85, No. 150 (August 4, 2020) p. 47042.

3 Federal Register Vol. 85, No. 151 (August 5, 2020) p. 47604.

4 *Ibid.*

5 *Ibid.*

6 *Ibid.* p. 47631.

7 *Ibid.* p. 47600.

8 "Medicare Program; Prospective Payment System and Consolidated Billing for Skilled Nursing Facilities; Updates to the Quality Reporting Program and Value-Based Purchasing Program for Federal Fiscal Year 2020" Federal Register Vol. 84, No. 152 (August 7, 2019) p. 38732; "Medicare Program; Prospective Payment System and Consolidated Billing for Skilled Nursing Facilities; Updates to the Value-Based Purchasing Program for Federal Fiscal Year 2021: Proposed rule" Federal Register Vol. 85, No. 73 (April 15, 2020), p. 20917.

9 Federal Register Vol. 85, No. 151 (August 5, 2020) p. 47619-47623.

10 *Ibid.* p. 47619-47620.

11 *Ibid.* p. 47619-47623.

12 *Ibid.* p. 47605.

13 "COVID-19: Coverage of Physician Telehealth Services Provided to SNF Residents" Centers for Medicare & Medicaid Services, July 31,

2020, <https://www.cms.gov/files/document/2020-07-31-mlnc-se.pdf> (Accessed 8/3/20)

14 *Ibid.*

15 Federal Register Vol. 85, No. 150 (August 4, 2020) p. 47094.

16 *Ibid.* p. 47086.

17 "Medicare Program; FY 2020 Hospice Wage Index and Payment Rate Update and Hospice Quality Reporting Requirements" Federal Register Vol. 84, No. 151 (August 6, 2019) p. 38484.

18 Federal Register Vol. 85, No. 150 (August 4, 2020) p. 47083.

19 *Ibid.* p. 47084.

20 Federal Register Vol. 85, No. 150 (August 4, 2020) p. 47045.

21 *Ibid.* p. 47065.

22 "Medicare Program; FY 2020 Inpatient Psychiatric Facilities Prospective Payment System and Quality Reporting Updates for Fiscal Year Beginning October 1, 2019 (FY 2020)" Federal Register Vol. 84, No. 151. (August 6, 2019) p. 38424.

23 Federal Register Vol. 85, No. 150 (August 4, 2020) p. 47043.

24 *Ibid.* p. 47043.

25 *Ibid.* p. 47043.

26 *Ibid.* p. 38424.

27 *Ibid.* p. 47043.

28 Federal Register Vol. 84, No. 151. (August 6, 2019) p. 38424.

29 Federal Register Vol. 85, No. 150 (August 4, 2020) p. 47043.

30 Federal Register Vol. 84, No. 151. (August 6, 2019) p. 38424.

31 Federal Register Vol. 85, No. 150 (August 4, 2020) p. 47063.

32 "Fiscal Year 2021 Final Medicare Payment and Policy Changes for Inpatient Psychiatric Facilities (CMS-1731-F)" Centers for Medicare & Medicaid Services, July 31, 2020, <https://www.cms.gov/newsroom/fact-sheets/fiscal-year-2021-final-medicare-payment-and-policy-changes-inpatient-psychiatric-facilities-cms-1731> (Accessed 8/12/20).

33 Federal Register Vol. 85, No. 151 (August 5, 2020); Federal Register Vol. 85, No. 150 (August 4, 2020).

34 *Ibid.*



(800)FYI - VALU

*Providing Solutions
in the Era of
Healthcare Reform*

Founded in 1993, HCC is a nationally recognized healthcare economic financial consulting firm

- [HCC Home](#)
- [Firm Profile](#)
- [HCC Services](#)
- [HCC Experts](#)
- [Clients & Projects](#)
- [HCC News](#)
- [Upcoming Events](#)
- [Contact Us](#)
- [Email Us](#)

HCC Services

- [Valuation Consulting](#)
- [Commercial Reasonableness Opinions](#)
- [Commercial Payor Reimbursement Benchmarking](#)
- [Litigation Support & Expert Witness](#)
- [Financial Feasibility Analysis & Modeling](#)
- [Intermediary Services](#)
- [Certificate of Need](#)
- [ACO Value Metrics & Capital Formation](#)
- [Strategic Consulting](#)
- [Industry Research Services](#)



Todd A. Zigrang, MBA, MHA, CVA, ASA, FACHE, is the President of **HEALTH CAPITAL CONSULTANTS (HCC)**, where he focuses on the areas of valuation and financial analysis for hospitals, physician practices, and other healthcare enterprises. Mr. Zigrang has over 25 years of experience providing valuation, financial, transaction and strategic advisory services nationwide in over 2,000 transactions and joint ventures. Mr. Zigrang is also considered an expert in the field of healthcare compensation for physicians, executives and other professionals.

Mr. Zigrang is the co-author of "[The Adviser's Guide to Healthcare – 2nd Edition](#)" [2015 – AICPA], numerous chapters in legal treatises and anthologies, and peer-reviewed and industry articles such as: *The Accountant's Business Manual* (AICPA); *Valuing Professional Practices and Licenses* (Aspen Publishers); *Valuation Strategies*; *Business Appraisal Practice*; and, *NACVA QuickRead*. In addition to his contributions as an author, Mr. Zigrang has served as faculty before professional and trade associations such as the American Society of Appraisers (ASA); American Health Lawyers Associate (AHLA); the American Bar Association (ABA); the National Association of Certified Valuators and Analysts (NACVA); Physician Hospitals of America (PHA); the Institute of Business Appraisers (IBA); the Healthcare Financial Management Association (HFMA); and, the CPA Leadership Institute.

Mr. Zigrang holds a Master of Science in Health Administration (MHA) and a Master of Business Administration (MBA) from the University of Missouri at Columbia. He is a Fellow of the American College of Healthcare Executives (FACHE) and holds the Accredited Senior Appraiser (ASA) designation from the American Society of Appraisers, where he has served as President of the St. Louis Chapter, and is current Chair of the ASA Healthcare Special Interest Group (HSIG).



Jessica L. Bailey-Wheaton, Esq., is Senior Vice President and General Counsel of HCC, where she conducts project management and consulting services related to the impact of both federal and state regulations on healthcare exempt organization transactions, and provides research services necessary to support certified opinions of value related to the Fair Market Value and Commercial Reasonableness of transactions related to healthcare enterprises, assets, and services.

She serves on the editorial boards of NACVA's The Value Examiner and of the American Health Lawyers Association's (AHLA's) Journal of Health & Life Sciences Law. Additionally, she is the current Chair of the American Bar Association's (ABA) Young Lawyers Division (YLD) Health Law Committee and the YLD Liaison for the ABA Health Law Section's Membership Committee. She has previously presented before the ABA, NACVA, and the National Society of Certified Healthcare Business Consultants (NSCHBC).

Ms. Bailey-Wheaton is a member of the Missouri and Illinois Bars and holds a J.D., with a concentration in Health Law, from Saint Louis University School of Law, where she served as Fall Managing Editor for the Journal of Health Law & Policy.



Daniel J. Chen, MSF, CVA, focuses on developing Fair Market Value and Commercial Reasonableness opinions related to healthcare enterprises, assets, and services. In addition he prepares, reviews and analyzes forecasted and pro forma financial statements to determine the most probable future net economic benefit related to healthcare enterprises, assets, and services and applies utilization demand and reimbursement trends to project professional medical revenue streams and ancillary services and technical component (ASTC) revenue streams. Mr. Chen holds the Certified Valuation Analyst (CVA) designation from NACVA.