

U.S. House and Senate Notification
Friday, July 16, 2010

To: Congressional Health Staff

From: Amy Hall
Director, Office of Legislation
Centers for Medicare & Medicaid Services

Subject: CMS Issues Notices Updating IRF, SNF and Hospice for FY 2011

Today, CMS issued notices to update the fiscal year (FY) 2011 payment rates for inpatient rehabilitation facilities (IRFs), skilled nursing facilities (SNFs), and hospices.

IRF Notice

The IRF notice implements routine updates to the IRF prospective payment system (PPS) for discharges occurring on and after October 1, 2010. The notice incorporates a 0.25 percentage point reduction in the market basket increase for FY 2011 required by the Affordable Care Act. The changes will result in an estimated increase in IRF payments of \$135 million for FY 2011. This reflects a \$140 million increase from the update to the payment rates and a \$5 million decrease to the proposed update to the outlier threshold amount to reduce estimated outlier payments from 3.1 percent in FY 2010 to 3 percent in FY 2011.

SNF Notice

The SNF notice implements updates to the payment rates reflecting the market basket increase and a forecast error adjustment. The payment rates for FY 2011 include a negative 0.6 percentage point forecast error adjustment. This adjustment, when combined with the FY 2011 market basket increase factor of 2.3 percent, yields a net update of positive 1.7 percent for FY 2011, resulting in approximately \$542 million in additional Medicare payments during FY 2011.

CMS also discusses a self-implementing provision contained in section 10325 of the Affordable Care Act. This provision makes certain modifications to the FY 2011 implementation schedule for the Resource Utilization Groups, version 4 (RUG-IV) case-mix classification system that CMS announced last year.

Please find attached a fact sheet on the SNF notice announcement.

Hospice Notice

The hospice notice updates the payment rates by the hospital market basket increase in FY 2011, includes updated wage index data, and implements the second year of a 7-year phase-out of the budget neutrality adjustment factor (BNAF) to the hospice wage index. The estimated hospice payment increase is the net result of a 2.6 percent increase in the “hospital market basket,” an indicator of input price increases. This is offset by an estimated 0.8

percent decrease in payments to hospices due to updated wage index data and the second year of the phase-out of the BNAF.

The notice also solicits public comments on two possible approaches to modernizing the hospice aggregate cap calculation. These approaches take advantage of new computing technologies to streamline the cap calculations, which may lead to a timelier provider notification of overpayments. CMS will consider the comments in future analyses and possible future rulemaking.

A link to the notice, which will be published in the Federal Register on July 22, 2010, along with accompanying documents will be available at:

http://www.ofr.gov/OFRUpload/OFRData/2010-17622_PI.pdf

If you have any questions about these notices, please contact the CMS Office of Legislation.