

## Fact Sheet: Variable Per Diem Adjustment

### Background

According to section 1888 of the Social Security Act established that payments made to skilled nursing facilities (SNFs) under Medicare must be made on a per diem basis, meaning that a payment rate is determined for each day of the patient's stay. Since the inception of the SNF prospective payment system (PPS), CMS has used a constant per diem rate, meaning that the payment rate for each day of the SNF stay is the same per diem rate.

However, analysis conducted under the SNF Payment Models Research (PMR) project on costs over stays for each of the case-mix adjusted payment components of the Patient Driven Payment Model (PDPM) revealed different trends in resource utilization over the course of a SNF stay. The analysis found that resource use for certain SNF services is not constant over a stay and varies depending on the point in the stay. To account for the changes in resource utilization over the course of a stay, PDPM utilizes a variable per diem adjustment factor, which adjusts the per diem payment over the course of the patient's stay.

This fact sheet discusses how the variable per diem adjustment factor is applied under PDPM.

### PT and OT Schedule

The PT and OT components utilize the same variable per diem schedule and adjustment factors as costs and resource utilization for both components were found to be higher at the beginning of the stay and decline slowly over the course of the stay for both components. As such, utilizing a constant per diem rate allocates too few resources at the beginning of the stay when costs tend to be higher and too many resources at the end of the stay when costs tend to be lower.

The variable per-diem adjustment factors and schedule for the PT and OT components is shown in the table below. To apply these factors, once a patient has been classified into the appropriate PT and OT groups, the case-mix adjusted per diem rate for those groups would be multiplied by the relevant variable per diem adjustment factor.

# PATIENT DRIVEN PAYMENT MODEL

## Variable Per-diem Adjustment Factors and Schedule – PT and OT Components

Medicare Payment Days	Adjustment Factor	Medicare Payment Days	Adjustment Factor
1-20	1.00	63-69	0.86
21-27	0.98	70-76	0.84
28-34	0.96	77-83	0.82
35-41	0.94	84-90	0.80
42-48	0.92	91-97	0.78
49-55	0.90	98-100	0.76
56-62	0.88		

## NTA Schedule

As compared to PT and OT costs, which followed a more gradual decline, NTA costs were found to be highly concentrated at the beginning of a stay and then decrease to a lower level that holds relatively constant over the remainder of the stay. However, as with the PT and OT components, utilizing a constant per diem would allocate too few resources in the beginning of the stay when these costs are incurred, which undermines the accuracy of the payment for this component. To account for the difference in how NTA costs are incurred, the NTA component utilizes a separate adjustment schedule and adjustment factors from that of the PT and OT components.

The variable per-diem adjustment factors and schedule for the NTA component is shown in the table below. To apply these factors, once a patient has been classified into the appropriate NTA group, the case-mix adjusted per diem rate for those groups would be multiplied by the relevant variable per diem adjustment factor.

## Variable Per-diem Adjustment Factors and Schedule – NTA Component

Medicare Payment Days	Adjustment Factor
1-3	3.0
4-100	1.0