



Medicare Shared Savings Program

SKILLED NURSING FACILITY 3-DAY RULE WAIVER

Guidance

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PROGRAM

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VERSION	DATE	REVISION/CHANGE DESCRIPTION	AFFECTED AREA
6	06/12/2018	Updated digital signature definition.	Section 6.2
6	06/12/2018	Removed CMS Certification Number “doing business as” requirement.	Section 5.1
6	06/12/2018	Inserted Appendix C.	Appendix C

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1 Executive Summary

The purpose of this document is to describe the policies for waivers of the Skilled Nursing Facility (SNF) 3-Day Rule under the Shared Savings Program and the Medicare ACO Track 1+ Model. Specifically, this document provides background on the SNF 3-Day Rule, waiver-eligibility criteria for ACOs and SNF affiliates, as well as information on how to apply for a SNF 3-Day Rule Waiver.

Under the Shared Savings Program, the Centers for Medicare & Medicaid Services (CMS) enters into a participation agreement with each participating Accountable Care Organization (ACO). CMS will reward eligible ACOs when they lower growth in Medicare Parts A and B fee-for-service (FFS) costs (relative to their ACO-specific benchmark) if, at the same time, they meet performance standards on quality of care. ACOs can choose to participate under Track 1, a shared savings only model (one-sided model), or under Track 2 or Track 3, shared savings or losses models (two-sided models). Beginning in 2018, eligible Track 1 ACOs may also participate in a Center for Medicare and Medicaid Innovation (Innovation Center) model, the Medicare ACO Track 1+ Model (Track 1+ Model). In order to encourage more rapid progression to performance-based risk, the Track 1+ Model tests a payment design that incorporates more limited downside risk than is currently present in Track 2 or Track 3 of the Shared Savings Program.

The SNF 3-Day Rule Waiver, available under the Shared Savings Program, and the SNF 3-Day Rule Waiver, available under the Track 1+ Model, waive the requirement for a 3-day inpatient hospital stay prior to a Medicare-covered, post-hospital, extended care service for eligible beneficiaries who are prospectively assigned to an ACO and who receive care from an eligible SNF. Only Shared Savings Program ACOs that are currently participating in Track 3 or the Track 1+ Model have the opportunity to apply for a waiver of the SNF 3-Day Rule, and they must apply separately for the waiver during the annual application process as described in [Section 3.3](#) below.

To apply for a SNF 3-Day Rule Waiver, ACOs must:

- Meet specific eligibility criteria;
- Submit a SNF Affiliate List;
- Submit sample SNF Affiliate Agreement(s);
- Complete the SNF Affiliate Agreement table in the ACO Management System (ACO-MS);
- Submit an executed SNF Affiliate Agreement for each proposed SNF affiliate; and
- Submit a communication plan, beneficiary evaluation and admission plan, and a care management plan.

2 Background

This document is subject to periodic change. Any substantive changes to this document are noted in the [revision history](#).

2.1 STATUTORY & REGULATORY BACKGROUND

An ACO is composed of groups of doctors, hospitals, and other health care providers that come together voluntarily to give coordinated, high-quality care to their Medicare FFS beneficiaries. The Shared Savings Program rewards ACOs that improve the quality and cost efficiency of health care. The authority for the Shared Savings Program is in Section 1899 of the Social Security Act (the Act), which was added by the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010. Section 1899 of the Act states that the Secretary may enter into an agreement with an ACO to participate in the Shared Savings Program for a period of no less than three years. CMS has published three final rules regulating the Shared Savings Program. The first final rule was published in November 2011, the second was published in June 2015, and the third was published in June 2016. Additionally, CMS has addressed certain issues related to the Shared Savings Program in the annual Physician Fee Schedule (PFS) rulemaking.

The June 2015 Final Rule established the requirements for waiving the SNF 3-day rule under the Shared Savings Program in 42 CFR § 425.612 of the Shared Savings Program regulations (80 FR 32800). Through the Calendar Year (CY) 2017 PFS Final Rule, CMS finalized additional beneficiary protections related to use of the SNF 3-Day Rule Waiver (81 FR 80510). In the CY 2018 PFS final rule, CMS made further changes to streamline the SNF 3-Day Rule Waiver application requirements by removing certain documentation requirements, with a goal of reducing burden for applicants.¹ The complete Shared Savings Program regulations can be found in the Code of Federal Regulations at 42 CFR part 425. Additionally, the [Electronic Code of Federal Regulations website](#) is a useful resource for viewing the program regulations.

The Track 1+ Model is being tested under the authority of section 1115A of the Act (added by section 3021 of the ACA) (42 USC 1315a). Eligible ACOs began participating in the Track 1+ Model starting with the performance year beginning on January 1, 2018. Additional information on the Track 1+ Model is available in the CMS [fact sheet](#).

3 SNF 3-Day Rule Waiver Overview

For eligible Shared Savings Program and Track 1+ ACOs approved for use of a SNF 3-Day Rule Waiver, CMS will waive the requirement for a 3-day inpatient hospital stay prior to a Medicare-covered, post-hospital, extended care service for eligible beneficiaries who fulfill both of the following conditions:

¹ Medicare Shared Savings Program: Accountable Care Organizations, 82 FR 53271 – 53222, 53371 (Nov. 15, 2017) (Amending 42 CFR § 425.612 by removing paragraphs (a)(1)(i)(A)(4) and (a)(1)(i)(C)).

- They are prospectively assigned to an ACO that is participating in Track 3 or the Track 1+ Model.
- They receive otherwise Medicare-covered, post-hospital, extended care services that are furnished by an eligible SNF that has entered into a written agreement to partner with the ACO for purposes of this waiver.

3.1 BACKGROUND ON THE SNF 3-DAY RULE

Section 1819(a) of the Act defines a SNF, in part, as an institution (or a distinct part of an institution) that is not primarily for the care and treatment of mental diseases but is primarily engaged in providing the following to residents:

- Skilled nursing care and related services for residents who require medical or nursing care
- Skilled rehabilitation services for the rehabilitation of injured, disabled, or sick persons

The Medicare SNF benefit applies to beneficiaries who require a short-term intensive stay in a SNF and skilled nursing and/or skilled rehabilitation care. Pursuant to section 1861(i) of the Act, beneficiaries must have a prior inpatient hospital stay of no fewer than three consecutive days to be eligible for Medicare coverage of inpatient SNF care. This requirement is referred to as the SNF 3-Day Rule.

3.2 OVERVIEW OF THE SNF 3-DAY RULE WAIVER

Section 1899(f) of the Act permits the Secretary to waive certain payment or other program requirements as may be necessary to carry out the Shared Savings Program. To support ACOs' efforts to increase quality and decrease costs, CMS finalized a waiver of the SNF 3-Day Rule for eligible ACOs participating in Track 3 of the Shared Savings Program (§ 425.612). Specifically, CMS has used the authority under section 1899(f) to waive section 1861(i) of the Act to allow coverage of certain SNF services that are not preceded by a qualifying 3-day inpatient hospital stay for eligible beneficiaries, who are prospectively assigned to an ACO participating in Track 3 of the Shared Savings Program. Similarly, CMS has used the waiver authority under section 1115A(d)(1) of the Act to waive section 1861(i) of the Act for the Track 1+ Model, consistent with the SNF 3-Day Rule Waiver under 42 CFR § 425.612.

Track 3 and Track 1+ ACOs may apply for a SNF 3-Day Rule Waiver at the start or during the term of their participation agreements.

ACOs, including those applying for a waiver during the term of an existing participation agreement, must follow the annual application process as described in [Section 3.3](#) below. SNF 3-Day Rule Waivers are effective beginning January 1 of the performance year following approval of a SNF 3-Day Rule Waiver Application. Once approved, an ACO will maintain its SNF 3-Day Rule Waiver for the remainder of its current participation agreement, unless CMS determines it is necessary to revoke the ACO's

waiver as provided in § 425.612(d)(3) or under the terms of the Track 1+ Model. If CMS or the ACO terminates the ACO's participation agreement, the waiver ends on the date specified by CMS in the termination notice or on the effective date of termination, as specified in the ACO's advance written notice to CMS required under § 425.220.

It is important to note that a SNF 3-Day Rule Waiver does not create a new benefit or extend Medicare SNF coverage to patients who could be treated in outpatient settings or who require long-term custodial care. The waiver is intended to provide ACOs that are participating in Track 3 and the Track 1+ Model with additional flexibility to increase quality and decrease costs. The SNF benefit itself remains unchanged. The SNF 3-Day Rule Waiver is only applicable for services furnished in SNFs that meet the eligibility requirements in § 425.612, discussed below in [Section 4](#). Providers, such as Critical Access Hospitals (CAHs) or other hospitals that CMS has approved to furnish swing bed services for SNF-level care, are not eligible to partner with ACOs as SNF affiliates to provide services pursuant to the SNF 3-Day Rule Waiver.

A SNF 3-Day Rule Waiver does not restrict a beneficiary's choice of provider or supplier. A beneficiary continues to have the option to seek care from any Medicare FFS provider or supplier, including from a SNF or other facility that is not an affiliate of an ACO that is participating in the Shared Savings Program. In such circumstances, normal Medicare requirements apply, including the requirement for a 3-day, inpatient hospitalization.

3.3 APPLYING FOR A SNF 3-DAY RULE WAIVER

Necessary steps to apply for a SNF 3-Day Rule Waiver include:

- Submit a Notice of Intent to Apply (NOIA) for a SNF 3-Day Rule Waiver.
- Submit a SNF 3-Day Rule Waiver Application.

The SNF 3-Day Rule Waiver Application requires the ACO to provide sufficient information to demonstrate that the ACO has the capacity to identify and manage beneficiaries who, under the waiver, would be either directly admitted to a SNF or admitted to a SNF after an inpatient hospitalization of fewer than three days.

ADDITIONAL RESOURCES

- [Application Toolkit webpage](#)
- [Application Types & Timeline webpage](#)

Applicants must submit their applications through ACO-MS in accordance with the guidance provided on the [Application Toolkit webpage](#). The Shared Savings Program [Application Types & Timeline webpage](#) contains an up-to-date list of all applicable deadlines. Additionally, refer to this webpage to find the latest information concerning the Shared Savings Program application process.

During the application process, ACOs receive multiple request for information (RFI) notifications summarizing CMS' review of submitted application information. ACOs

should carefully review the RFIs, because they only have a few opportunities to correct deficiencies identified in the submitted application information. Please note that while the application cycle deadlines are subject to change, CMS will not accept late submissions.

4 SNF 3-Day Rule Waiver Eligibility

Beneficiaries, SNFs, and ACOs must meet the eligibility requirements specified in § 425.612 for Medicare to make payment for services provided pursuant to a SNF 3-Day Rule Waiver.

4.1 BENEFICIARY ELIGIBILITY FOR THE SNF 3-DAY RULE WAIVER

To be eligible to receive covered SNF services under the waiver, a beneficiary must meet the following requirements:

- Be prospectively assigned to the ACO for the performance year in which he/she is admitted to the eligible SNF (referred to as a SNF affiliate, described in [Section 5](#));
- Not reside in a SNF or other long-term care setting;²
- Be medically stable;
- Not require inpatient or further inpatient hospital evaluation or treatment;
- Have certain and confirmed diagnoses;
- Have an identified skilled nursing or rehabilitation need that he/she cannot receive as an outpatient; and
- Have been evaluated and approved for admission to the SNF within three days prior to the SNF admission by an ACO provider/supplier that is a physician, consistent with the ACO's beneficiary evaluation and admission plan.

Track 3 and Track 1+ ACOs will receive a prospective assignment list from CMS at the start of each performance year. On a quarterly basis, ACOs receive a list of beneficiaries whom CMS has removed from the ACO's prospective assignment list as a result of meeting select assignment exclusion criteria (refer to the current version of the Shared Savings and Losses and Assignment Methodology Specifications available on the [CMS website](#)).

During the performance year, a beneficiary loses his or her eligibility to receive covered SNF services under the waiver if he or she appears on a quarterly report excluding the beneficiary from the ACO's original prospective assignment list, unless the 90-day grace period applies (refer to [Section 4.3](#) below). The beneficiaries who remain on the ACO's prospective assignment list continue to be eligible to receive covered SNF services

² Independent living facilities and assisted living facilities are not considered long-term care facilities for this purpose.

under the applicable SNF 3-Day Rule Waiver. ACOs should notify their SNF affiliates of changes to beneficiary eligibility in a timely manner to comply with the waiver requirements. ACOs should refer to the Assignment List Report and Assignment Summary Report User's Guide, located on the SSP ACO Portal, for more information on the prospective assignment list and quarterly exclusion reports.

4.2 SNF ELIGIBILITY FOR THE SNF 3-DAY RULE WAIVER

ACOs must provide CMS with a list of SNFs (referred to as SNF affiliates) with which the ACO will partner along with executed written SNF Affiliate Agreements between the ACO and each listed SNF affiliate (refer to [Section 5](#)). SNF affiliates must have and maintain an overall rating of three stars or higher under the CMS Five-Star Quality Rating System. The SNFs included on the ACO's list (referred to as the "SNF Affiliate List") undergo a program integrity review and CMS reviews the SNF Affiliate Agreements for compliance with the SNF 3-Day Rule Waiver requirements in § 425.612. ACOs submit the SNF Affiliate List and the SNF Affiliate Agreements through ACO-MS.

4.3 BENEFICIARY PROTECTIONS AND 90-DAY GRACE PERIOD

CMS determined that additional protections were necessary for beneficiaries receiving services under a SNF 3-Day Rule Waiver and has included the following beneficiary protections.

90-day grace period

CMS modified § 425.612(a)(1) to include a 90-day grace period that will permit payment for SNF services provided without a qualifying inpatient stay to certain beneficiaries who were initially included on the ACO's prospective assignment list for a performance year but who were subsequently excluded during the performance year, if such services would otherwise be covered under the SNF 3-Day Rule Waiver. This allows SNF waiver-approved ACOs and SNF affiliates a grace period to update their systems to account for beneficiaries who were previously eligible to receive services under a SNF 3-Day Rule Waiver but were excluded from assignment to the ACO in the most recent quarterly update to the ACO's prospective assignment list. The 90-day grace period begins on the date that CMS delivers the quarterly beneficiary exclusion list to an ACO.

ACOs should educate SNF affiliates and ACO providers/suppliers about the 90-day grace period. ACOs are expected to communicate information contained in the assignment list and quarterly exclusion reports in a timely and accurate manner to their SNF affiliates and ACO providers/suppliers that rely on this information during their evaluation of a beneficiary for admission under a SNF 3-Day Rule Waiver.

No payment to a SNF affiliate where the beneficiary is not prospectively assigned to the ACO and any 90-day grace period that has lapsed

In the event that a SNF affiliate of a Track 3 or a Track 1+ ACO that has been approved for the SNF 3-Day Rule Waiver admits an FFS beneficiary who was never prospectively assigned to the ACO (or was assigned but was later excluded and the 90-day grace period has lapsed), and the claim is rejected only for lack of a qualifying inpatient hospital stay, CMS will make no payment to the SNF, and the SNF may not charge the beneficiary for the non-covered SNF services and must return to the beneficiary any monies collected for such services. In this circumstance, the SNF affiliate will be prohibited from charging a beneficiary for non-covered SNF services, even in cases where the beneficiary explicitly requested or agreed to being admitted to the SNF in the absence of a qualifying 3-day inpatient hospital stay, if all other requirements for coverage are met.

5 SNF Affiliate List

An ACO must notify CMS of changes to its SNF Affiliate List in the form and manner specified by CMS.

5.1 SNF AFFILIATE LIST REQUIREMENTS

The SNF Affiliate List must include the proposed SNF affiliate's legal business name, taxpayer identification number (TIN), CMS Certification Number (CCN), and CCN legal business name for each SNF that wishes to partner with the ACO for purposes of the SNF 3-Day Rule Waiver. Each proposed SNF affiliate must be Medicare-enrolled and have signed a valid SNF Affiliate Agreement with the ACO that meets the requirements in § 425.612. Additionally, the SNF affiliate must have an overall quality rating of three or more stars under the CMS Five-Star Quality Rating System. If a SNF does not meet all of these requirements, CMS will reject the ACO's request to include the SNF on its SNF Affiliate List.

ACOs are responsible for ensuring their SNF Affiliate Lists are accurate and include only eligible SNF affiliates that have executed valid SNF Affiliate Agreements to partner with the ACO. After CMS approves a SNF 3-Day Rule Waiver Application, the ACO:

- Must maintain, update, and annually provide the list of SNF affiliates to CMS using ACO-MS at the beginning of each performance year and at other times as specified by CMS
- Must certify the accuracy of the SNF Affiliate List prior to the start of each performance year and at other times as specified by CMS
- May add or remove SNF affiliates during the term of the Shared Savings Program ACO Participation Agreement³

³ Any such changes will be reviewed during a CMS review cycle.

SNF affiliates are not required to be ACO participants or ACO providers/suppliers. SNF affiliates may partner with more than one Shared Savings Program ACO. In addition, SNF affiliates that are not ACO participants or ACO providers/suppliers may partner with entities participating in other shared savings initiatives. Note that SNF affiliates that are ACO participants or ACO providers/suppliers do not automatically qualify to offer services under the applicable SNF 3-Day Rule Waiver. A SNF must appear on the certified SNF Affiliate List and have entered the required SNF Affiliate Agreement with the ACO, as well as meet all other applicable requirements, in order to be eligible for payment for services provided under the SNF 3-Day Rule Waiver.

CMS encourages ACOs to validate the proposed SNF affiliate TINs and CCNs by submitting them through ACO-MS. To ensure the SNF 3-Day Rule Waiver is applied and claims are processed correctly, the correct TIN and CCN must appear in the Provider Enrollment, Chain, and Ownership System (PECOS) and CMS claims data. If a SNF using a CCN that does not appear on the SNF Affiliate List admits a beneficiary without a qualifying 3-day inpatient stay, CMS will reject the claim.

CMS also encourages ACOs and SNF affiliates to discuss any changes to the SNF affiliates' TINs and/or CCNs that appear on the certified SNF Affiliate List. If a SNF affiliate's TIN and/or CCN changes (e.g., digits change) during a performance year, the ACO must report the changes to CMS through ACO-MS. Such changes will result in the SNF affiliate no longer being eligible to use the SNF 3-Day Rule Waiver, because an entity that changes its TIN and/or CCN is considered a new SNF affiliate. Any new SNF affiliate needs to be evaluated and approved by CMS before being eligible, in the upcoming performance year, to use a SNF 3-Day Rule Waiver. Any new SNF affiliate (TIN and/or CCN) is subject to the SNF Affiliate List review cycle described below.

5.1.1 SNF AFFILIATE LIST REVIEW CYCLE

ACOs already approved for a SNF 3-Day Rule Waiver may make changes, referred to as "change requests," to their SNF Affiliate Lists annually for the upcoming performance year during established review cycles. These review cycles coincide with the ACO Participant List change request review cycles. Allowable changes include adding, deleting, or modifying SNF affiliates on the SNF Affiliate List. These review cycles enable ACOs to receive CMS feedback and provide an opportunity for the ACO to correct any issues that may be identified in advance of the upcoming performance year. Though an ACO may request a change at any time for the upcoming performance year, feedback is only provided during the review cycles.

ACOs already approved for a SNF 3-Day Rule Waiver can find the change request review cycle deadlines in the PY 2019 ACO Participant and SNF Affiliate Change Request Review Cycle, which is posted on the [SSP ACO Portal](#). Please note that while the deadlines are subject to change, CMS will not accept late submissions.

5.1.2 SNF AFFILIATE LIST CHANGE REQUEST PROCESS

ACOs can make changes by submitting change requests in ACO-MS. Change requests for the SNF Affiliate List must include accurate TINs, CCNs, and SNF Affiliate Agreements.

SNF Affiliate List Additions

During the performance year, an ACO that has been approved for a SNF 3-Day Rule Waiver that is in an agreement period and not yet eligible to request renewal may make changes to its SNF Affiliate List for the upcoming performance year. Change requests to add SNF affiliates for an upcoming performance year will be reviewed during an established CMS review cycle. These review cycles include the provision of CMS' feedback and the opportunity for an ACO to correct certain deficiencies CMS may find in advance of the upcoming performance year. Though an ACO may request a change to its SNF Affiliate List during the current year for the upcoming performance year, there are deadlines for submitting change requests for consideration for the upcoming performance year.

It is important to note that any changes in a digit or digits of a required identifier (TIN or CCN) are considered to be a new request to add an entity to the SNF Affiliate List and are not permitted after the deadline. For example, if an ACO submits a change request to its SNF Affiliate List and a required identifier is submitted incorrectly (e.g., the digits of the TIN are typed incorrectly), the error can only be corrected by submitting a new change request. ACOs should ensure that all information submitted for SNF Affiliate List changes is correct.

SNF Affiliate List Deletions

When a SNF Affiliate Agreement terminates, the ACO must notify CMS within 30 days of the end of the agreement by submitting a "delete change request" in ACO-MS. SNF waiver-approved ACOs may submit requests to delete SNF affiliates from their SNF Affiliate List at any time during the performance year. Requests are submitted through ACO-MS. When a SNF waiver-approved ACO terminates a SNF affiliate record, ACO-MS will prompt the ACO to enter the date on which it intends to terminate the SNF Affiliate Agreement. The SNF Affiliate Agreement end date entered by the ACO will be the date the SNF affiliate is no longer eligible for payment for services under the waiver. The ACO should alert the former SNF affiliate that as of the SNF Affiliate Agreement end date it will no longer be a SNF affiliate under the SNF 3-Day Rule Waiver. Once a SNF Affiliate Agreement is terminated, CMS will begin denying claims for lack of a 3-day inpatient stay that formerly would have been covered under the SNF 3-Day Rule Waiver.

5.2 SNF AFFILIATE LIST DATA VALIDATION TOOLS

ACOs can use the following tools to improve the quality of the SNF affiliate data provided to CMS.

5.2.1 VERIFYING MEDICARE ENROLLMENT

All SNFs included on an ACO's SNF Affiliate List must be Medicare-enrolled. CMS makes available a listing of all Medicare-enrolled providers/suppliers. Using the [Medicare Revalidation Lookup Tool](#), users can search for a provider/supplier by last name, first name, organization name, National Provider Identifier (NPI), or download a list of revalidation due dates. Providers/suppliers that are due for revalidation must display a revalidation due date; all other providers/suppliers that are not up for revalidation will display "TBD" (to be determined) in the due date field. The revalidation due date is posted up to six months in advance of the revalidation due date to provide sufficient notice and time for the provider/supplier to comply. For more information on provider/supplier revalidation, please visit the Medicare Revalidation webpage or have the provider/supplier contact its Medicare Administrative Contractor (MAC).

5.2.2 CMS FIVE-STAR QUALITY RATING SYSTEM

Each SNF affiliate included on the ACO's proposed SNF Affiliate List must maintain an overall rating of three stars or higher under the [CMS Five-Star Quality Rating System](#). ACOs should check their SNF affiliates' star rating on the Nursing Home Compare website before submitting their proposed SNF Affiliate Lists during the application period. CMS verifies that each proposed SNF affiliate has at least a three-star rating and will periodically check SNF affiliates' ratings during the agreement period. CMS recommends that ACOs integrate a periodic rating check into their compliance processes.

For ACOs currently approved for the SNF 3-Day Rule Waiver, CMS will periodically review each SNF affiliate's star rating. CMS will notify ACOs of SNF affiliates that have dropped below the required three-star rating. If a SNF affiliate does not have a star rating of three stars or higher at CMS' last check during the Annual Certification review cycle (see above), CMS will request that the ACO remove the SNF affiliate from the ACO's SNF Affiliate List for the upcoming performance year by entering a delete change request in ACO-MS. If the ACO does not remove the SNF affiliate for the upcoming performance year, CMS will remove the SNF affiliate.

6 SNF Affiliate Agreements

CMS requires that ACOs execute contractual agreements with each SNF affiliate to ensure that the ACO clearly articulates the requirements, and the SNF understands and agrees to comply with the requirements regarding the SNF 3-Day Rule Waiver. An ACO may not include a SNF on its SNF Affiliate List, unless an individual authorized to bind the SNF affiliate's Medicare-enrolled TIN has signed a SNF Affiliate Agreement with the ACO. ACOs must submit sample SNF Affiliate Agreement(s) with their SNF 3-Day Rule Waiver Applications. The sample SNF Affiliate Agreement(s) must match each agreement that the ACO executes with a SNF affiliate and must comply with the SNF Affiliate Agreement requirements. CMS does not provide a "boilerplate" agreement for

ACOs, but instead reviews each sample agreement to ensure that it meets all requirements. If CMS identifies deficiencies with a sample agreement, the ACO must modify the sample agreement and re-execute the conforming agreements with each proposed SNF affiliate.

All SNF 3-Day Rule Waiver applicants must submit their sample SNF Affiliate Agreements, complete the SNF Affiliate Agreement table, and submit all executed SNF Affiliate Agreements with their SNF 3-Day Rule Waiver Applications. Track 3 and Track 1+ ACOs have the option to submit sample SNF Affiliate Agreement(s) with their NOIAs. CMS will review and provide feedback on sample agreements submitted with the NOIA. Although this step is optional, an ACO that submits a sample agreement(s) with its NOIA can save time and effort, because it may not have to revise and re-execute agreements later in the application process.

Regardless of when an ACO submits its sample agreements, it must complete the SNF Affiliate Agreement table in ACO-MS (see [Appendix A](#)) to identify where the agreement requirements for the applicable SNF 3-Day Rule Waiver are met. If an ACO chooses to submit a sample agreement with its NOIA, it must also complete the SNF Affiliate Agreement table in ACO-MS at that time.

6.1 SNF AFFILIATE AGREEMENT REQUIREMENTS

The SNF Affiliate Agreement with the ACO includes all SNF affiliates under the Medicare-enrolled TIN that agree to partner with the ACO for purposes of a SNF 3-Day Rule Waiver. While the TIN signs the SNF Affiliate Agreement on behalf of the SNF affiliates, the TIN should notify all providers and suppliers billing through each of the CCNs on the SNF Affiliate List of the SNF 3-Day Rule Waiver requirements of the Shared Savings Program and Track 1+ Model, as applicable, before the SNF affiliates begin to admit beneficiaries under a SNF 3-Day Rule Waiver. CMS will ask ACOs to revise and re-execute their SNF Affiliate Agreements if they are missing one or more of the required elements set forth in [Appendix A](#).

Other agreement requirements:

- Expressly state the only parties to the agreement are the ACO and the SNF affiliate.
- Signed on behalf of the ACO and the SNF affiliate by individuals who are authorized to bind the ACO and the SNF affiliate, respectively. The Medicare-enrolled TIN is authorized to bind the SNF affiliate CCN(s) billing under the TIN.
- The legal business names of the parties on the SNF Affiliate Agreement must match those provided in ACO-MS and on the SNF Affiliate List.
- On the signature page (see sample signature page below) of the sample SNF Affiliate Agreement, include a section to list the SNF affiliate CCN numbers and CCN legal business names under the Medicare-enrolled TIN, and in each executed SNF Affiliate Agreement, list the SNF affiliate's CCN number and CCN legal business

name for each SNF affiliate under the Medicare-enrolled TIN that agrees to be a SNF affiliate of the ACO. ACOs should also include a statement that the Medicare-enrolled TIN agrees to the terms and conditions of the SNF Affiliate Agreement on behalf of the CCN of each listed SNF affiliate.

We note that Track 1+ ACOs must agree to the additional terms and conditions applicable to participation in the Track 1+ Model by executing a Track 1+ Model Participation Agreement. The Track 1+ Model Participation Agreement imposes requirements related to a SNF 3-Day Rule Waiver that are consistent with § 425.612, for those Track 1+ ACOs that apply and are approved for a SNF 3-Day Rule Waiver.

CMS strongly recommends ACOs include the following information in their sample SNF Affiliate Agreements and executed SNF Affiliate Agreements to ensure that each SNF affiliate understands how participating in a SNF 3-Day Rule Waiver may impact them. If this information is not included in the SNF Affiliate Agreement, ACOs should clearly discuss the following with each SNF affiliate during the ACO's SNF 3-Day Rule Waiver SNF affiliate education and onboarding process before an authorized representative of the SNF affiliate signs the SNF Affiliate Agreement:

- Training requirements on both the ACO's beneficiary evaluation and admission plan and the care management plan for beneficiaries admitted to the SNF affiliate pursuant to the waiver.
- Express requirement that the ACO is to notify the SNF affiliate when the SNF 3-Day Rule Waiver has ended.

6.2 EXECUTED SNF AFFILIATE AGREEMENT REQUIREMENTS

Each executed SNF Affiliate Agreement must match the approved sample SNF Affiliate Agreement and include a signature page signed by individuals who have the legal authority to bind the SNF affiliate or ACO. The person signing on behalf of the ACO must be listed in ACO-MS as either the ACO Executive or Authorized to Sign contact role. The signature page must reflect information (such as contact information) for both the ACO and the SNF affiliate and must be consistent with the ACO's legal entity name and SNF affiliate's legal business name listed on the first page of the SNF Affiliate Agreement. The Shared Savings Program refers to the legal name of the ACO as the "legal entity name" and the legal name of a SNF affiliate as the "legal business name." The signature page must list the SNF affiliate's CCN and CCN legal business name for each SNF affiliate under the Medicare-enrolled TIN that agrees to be a SNF affiliate of the ACO, and include a statement that the Medicare-enrolled TIN agrees to the terms and conditions of the SNF Affiliate Agreement on behalf of the CCN of each listed SNF affiliate.

CMS must receive a copy of each executed SNF Affiliate Agreement (first page and signature page) that includes either a digital signature ([Appendix C](#)) or a wet signature,⁴ and a signature date, from both the ACO and SNF affiliate. CMS strongly encourages ACOs to include the information indicated in the format referenced in [Appendix B](#).

Please note, ACOs that choose to include their communication plan, beneficiary evaluation and admission plan, and care management plan as appendices to their agreements, or that incorporate them by reference into their agreements, will be required to amend or update and re-execute their SNF Affiliate Agreements whenever any of these plans are revised to ensure that SNF affiliates are aware of all modifications to these important documents.

7 ACO and SNF Affiliate Communication Plan

As part of the application for a SNF 3-Day Rule Waiver, Track 3 and Track 1+ ACOs must provide a narrative detailing the communication plan between the ACO and its SNF affiliates. CMS requires ACOs to describe the following information in their communication plan narratives:

- The process that the ACO will use to evaluate and periodically update its communication plan with its SNF affiliates.
- The process that the ACO will use to identify and designate the person(s) at the ACO with whom SNF affiliates will communicate and coordinate admissions.
- The process that each SNF affiliate will use to identify and designate the person(s) at the SNF affiliate with whom the ACO will communicate and coordinate admissions, including monitoring SNF length of stay.
- The process ACOs and SNFs will use to share information across sites of care and make it available to all members of the care team for optimal care integration. This includes identification of Health Insurance Portability and Accountability Act (HIPAA) compliant communication tools that the care team will use to ensure that the designated person(s) at the ACO is aware of admissions to SNF affiliates pursuant to a waiver and appropriately involved in the clinical management of these beneficiaries, including a plan for communicating necessary information when key contacts are not available.
- How frequently communications occur between the ACO and its SNF affiliates.
- The process the ACO will use to communicate the beneficiary evaluation and admission plan and the care management plan to the SNF affiliates and other individuals or entities responsible for or involved in providing or coordinating SNF services furnished under a waiver.

⁴ Wet signatures are handwritten signatures (i.e., not stamped).

- The process the ACO will use to respond to questions and complaints related to the ACO's use of the SNF 3-Day Rule Waiver from SNF affiliates, ACO participants, ACO providers/suppliers, beneficiaries, acute care hospitals, and other stakeholders.

CMS recommends ACOs include a process for timely sharing of the prospective beneficiary assignment list, as well as the quarterly exclusion lists, with SNF affiliates so that ACOs and SNF affiliates can identify correctly the beneficiaries eligible to receive covered SNF services under the SNF 3-Day Rule Waiver.

8 SNF 3-Day Rule Waiver Medicare Claims Processing

SNF waiver-approved ACOs must comply with all Medicare claims submission requirements, except the requirement for a 3-day inpatient hospital stay prior to a Medicare-covered, post-hospital, extended care service (42 CFR § 425.612(a)). A SNF 3-Day Rule Waiver does not change FFS billing requirements (other than the 3-day inpatient stay requirement).

SNFs do not include any new data elements when submitting FFS claims to indicate their intent to use a SNF 3-Day Rule Waiver. For institutional claims, CMS will set the Demonstration Number field to "77" for claims that meet all of the following conditions:

- "Received" date on the claim is on or after January 1 of the calendar year indicated on the claim's "From" date;
- A CCN (first 6 digits) is found on the claim that is also found on the ACO's certified SNF Affiliate List;
- Beneficiary Health Insurance Claim Number (HICN) found on the claim which is also found on the ACO's prospective assignment list;
- The date of service "From" date on the claim is on or after the effective start date of a waiver; and
- The ACO ID (AXXXX) associated with the SNF affiliate is the same as the ACO ID associated with the beneficiary prospectively assigned to a waiver-approved ACO.

If a SNF claim is rejected exclusively due to a lack of a qualifying hospital stay, meaning all other Medicare FFS coverage, claims processing, and other applicable requirements are met, the SNF should verify that the ACO, SNF, and beneficiary meet waiver eligibility requirements under § 425.612, described above. If the ACO, SNF, and beneficiary meet these eligibility requirements, the SNF should contact its MAC to inquire about payment for the claim pursuant to the terms of the SNF 3-Day Rule Waiver under the Shared Savings Program or Track 1+ Model.

Note that beneficiaries maintain their freedom of choice to select any SNF they choose. If a beneficiary selects a SNF that is not on an ACO's certified SNF Affiliate List and that SNF admits a prospectively assigned beneficiary without a qualifying hospital stay, CMS

will reject the claim for failing to meet one of the required elements (SNF must be a SNF affiliate on the approved SNF Affiliate List). If the selected SNF is not a SNF affiliate, current Medicare SNF coverage requirements apply for SNF services. CMS only reimburses the SNF for services furnished to beneficiaries without a prior 3-day inpatient stay if the SNF is on the ACO's SNF Affiliate List for the performance year in which it admits the beneficiary, and all other criteria for eligibility under the SNF 3-Day Rule Waiver are satisfied. If CMS rejects a SNF claim for lack of a 3-day inpatient hospital stay and the ACO, SNF affiliate, and/or the beneficiary did not meet the eligibility requirements (described in [Section 4](#) above), CMS may require the SNF waiver-approved ACO to submit a corrective action plan (CAP) addressing what actions the ACO will take to ensure appropriate use of the waiver in the future and take other remedial actions, as appropriate.

9 SNF 3-Day Rule Waiver Beneficiary Communications

For SNF-waiver approved ACOs, it is important to highlight that CMS has certain rules and policies governing communications to beneficiaries. Of note, hospital discharge planning conditions of participation standards found at § 482.13 and § 482.43(c)(6)–(8) continue to apply. In part, these rules require hospitals to include a list of Medicare-participating SNFs in the discharge plan for those patients for whom the plan indicates post-hospital extended care services are required. During the discharge planning process, the hospital must inform the patient of his/her freedom to choose from among Medicare-participating, post-hospital providers and must not direct the patient to specific provider(s) or otherwise limit the pool of qualified providers from which the patient may choose. Additionally, under the Patient's Rights Condition of Participation at § 482.13, the hospital must always respect the patient's right to make informed decisions.

CMS has developed a SNF 3-Day Rule Waiver Notice template for SNF waiver-approved ACOs to use to describe the waiver to the eligible beneficiaries. For example, a participating physician can use the waiver notice to supplement the discharge planning conversation and aid eligible beneficiaries in making an informed decision about whether and where to receive SNF services. The latest version of this template is included in the ACO Marketing Toolkit that is updated annually. ACOs are not permitted to modify template content, except in the spaces that CMS provides for ACO-specific information.

Please note that only SNF waiver-approved ACOs have the option to use the waiver notice template to educate their assigned beneficiaries who may be eligible to receive covered services under a SNF 3-Day Rule Waiver about the waiver. This notice is not intended as general information and could lead to confusion if shared with Medicare beneficiaries who are not eligible for such services.

10 SNF 3-Day Rule Waiver Public Reporting Requirements

Consistent with the requirements of § 425.612(d)(1), SNF waiver-approved ACOs must report their use of a SNF 3-Day Rule Waiver (reporting “yes” or “no”) as part of Shared Savings Program public reporting requirements.

11 SNF 3-Day Rule Waiver Compliance

CMS monitors and may audit the use of SNF 3-Day Rule Waivers. Misuse of a SNF 3-Day Rule Waiver may result in CMS taking remedial action against the ACO up to and including termination of the ACO from the Shared Savings Program. This would include, if applicable, termination from the Track 1+ Model. Additionally, CMS reserves the right to periodically review claims data, beneficiary medical records, and/or Minimum Data Set Nursing Home Assessments to confirm whether the ACO and its SNF affiliates appropriately confirm beneficiary eligibility prior to admission to a SNF. CMS may take remedial action if it finds that Medicare beneficiaries admitted to a SNF affiliate under the SNF 3-Day Rule Waiver did not meet beneficiary eligibility requirements.

Appendix A: Sample SNF Affiliate Agreement Table

ACOs must identify where the following requirements are in their sample agreements when submitting for CMS review. ACO-MS will display a table similar to the one below that the ACO can use to identify the location of each requirement.

<p>a) The agreement must expressly require that the SNF affiliate agrees to the requirements and conditions of the Shared Savings Program (42 CFR Part 425) and SNF 3-Day Rule Waiver, including but not limited to, those specified in the participation agreement with CMS. § 425.612(a)(1)(iii)(B)(1). For ACOs participating in the Track 1+ACO Model, the agreement must also expressly require that the SNF affiliate agrees to the requirements and conditions of the Track 1+ Model Participation Agreement.</p>	Agreement Section	Page Number
<p>b) Effective dates of the SNF Affiliate Agreement. § 425.612(a)(1)(iii)(B)(2)</p>	Agreement Section	Page Number
<p>c) The agreement must expressly require the SNF affiliate to implement and comply with the ACO's beneficiary evaluation and admission plan and the care management plan. § 425.612(a)(1)(iii)(B)(3)</p>	Agreement Section	Page Number
<p>d) The agreement must expressly require the SNF affiliate to validate the eligibility of a beneficiary to receive covered SNF services in accordance with the waiver prior to admission. § 425.612(a)(1)(iii)(B)(4)</p>	Agreement Section	Page Number
<p>e) The agreement must include the remedial processes and penalties that may apply for noncompliance. § 425.612(a)(1)(iii)(B)(5)</p>	Agreement Section	Page Number

Appendix B: Sample SNF Affiliate Agreement Introductory Paragraph and Signature Page

This ACO SNF Affiliate Agreement (“Agreement”) is by and between Accountable Care Organization of ABC, LLC DBA ABC ACO (“ACO”), and XYZ Group Practice P.C. (“SNF Affiliate”) and is effective [Month, Day, Year] (“Effective Date”).

< Body of Agreement >

Sample Signature Page:

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by the duly authorized representatives as of the dates below.

<u>For the ACO</u>	<u>For the SNF Affiliate</u>
_____	_____
Legal Entity Name	Legal Business Name
_____	_____
DBA Name	DBA Name
_____	_____
Signature (on behalf of the ACO)	Signature (on behalf of the SNF Affiliate)
_____	_____
Name	Name
_____	_____
Title	Title
_____	_____
Date	Date
_____	_____
Address	Address
_____	_____
City, State ZIP Code	City, State ZIP Code
_____	_____
Business Phone	Business Phone

Individual signing for the SNF affiliate(s) agrees to the terms and conditions of this Agreement on behalf of the following SNF affiliate CCNs:

< List of each CCN and CCN legal business name >

Appendix C: Information on Digital Signature Requirements

General Overview of Digital Signatures

If an ACO and SNF affiliate both consent to the use of digital signatures to execute a SNF Affiliate Agreement, they must use industry-accepted software to verify that the digital signatures represent the signers' consent to the terms of the agreement. Generally, a digital signature requires two components: the signature generation process (i.e., when a signer embeds a unique signature in the electronic document, thus legally executing the document), and the signature verification process (i.e., the mechanism by which an auditing party is able to verify the signature's authenticity).

ACOs should maintain all physical and/or electronic records necessary to verify each digital signature that they submit for CMS review and provide these records to the Shared Savings Program upon request.

Digital Signature Programs

The Shared Savings Program does not require the use of any particular software product to execute a SNF Affiliate Agreement, and any software that employs digital signature algorithms and that fulfills the two requirements—signature generation and signature verification—may be employed. Should CMS question the integrity of the software used, it may send the ACO a request for information (RFI). Should an ACO receive an RFI, it should provide CMS with documented evidence of the verification process for the signature in question.

Regulation of Digital Signatures

The [Electronic Signatures in Global and National Commerce Act \(E-Sign Act\)](#), which was enacted on June 30, 2000, promotes the use of electronic contract formation, signatures, and recordkeeping in private commerce by establishing legal equivalence between paper and electronic contracts; pen and ink signatures and electronic signatures; and other legally required written documents (termed “records”) and their electronic equivalents.

Additional Questions

What is the difference between a digital signature and an electronic signature?

Per Section 106 of the E-Sign Act, an electronic signature is defined as “an electronic sound, symbol, or process, attached to or logically associated with a contract or other record and executed or adopted by a person with the intent to sign the record.” A digital signature consists of both the electronic signature itself and the verification process used to authenticate it. Digital signatures require the signer to use a digital certificate that links the signer with the document being signed, and a unique digital “fingerprint” is embedded in the document once signed. An electronic signature that lacks an

authentication verification process will not be accepted. Any non-handwritten signature must be verifiable according to industry standards.

Do both parties to the Agreement have to use digital signatures to sign the SNF Affiliate Agreement?

No. So long as both parties agree that a digital signature has the full force and effect of a handwritten signature, one party may use a digital signature while the other uses a handwritten signature.

However, if only one party will be executing the document by a handwritten signature, then that party must sign the document first. The remaining party should then scan in the signed document and embed their digital signature upon that scanned document. Printing out a document that contains a digital signature hinders validation of the encryption required for authentication in this format.

What if a party needs to amend or change an agreement that was executed with digital signatures?

Should an agreement containing a digital signature need to be amended, it must be re-executed with a new digital signature to indicate consent to the changes.

Can CMS recommend any digital signature programs for ACOs to use in executing agreements with SNF affiliates?

The E-Sign Act does not permit agencies to require the use of specific products and/or manufacturers. Therefore, CMS cannot recommend any specific products or companies. However, in choosing a digital signature program, an ACO should review the E-Sign Act requirements and focus on the particular product's signature generation and verification capabilities.