# Fiscal Year 2022 Incentive Payment Multiplier Calculation
## Skilled Nursing Facility Value-Based Purchasing Program

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## STEP 1

### CALCULATE RISK-STANDARDIZED READMISSION RATES (RSRRs)

The Skilled Nursing Facility Value-Based Purchasing (SNF VBP) Program tracks SNFs' performance on the Skilled Nursing Facility Readmission Measure (SNFRM, NQF #2510) during a baseline period and a performance period.

**a** Calculate an RSRR for both the **Baseline and Performance Period**:

$$\left( \frac{\text{Predicted \# of readmissions}}{\text{Expected \# of readmissions}} \right) \times \text{National unadjusted readmission rate} = RSRR$$

- The **predicted number of readmissions** is the number of unplanned readmissions predicted based on a SNF's performance given their unique case mix.
- The **expected number of readmissions** is the number of unplanned readmissions that would be expected if the residents at a given SNF were treated at the average SNF.

**b** Calculate inverted RSRRs:

$$1 - RSRR = \text{Inverted RSRR}$$

### Examples

**a** SNF A's Baseline Period RSRR **(FY 2018)**:

$$\left( \frac{15.477}{14.761} \right) \times 0.19907 = 0.20874$$

SNF A's Performance Period RSRR **(April 1, 2019–December 1, 2019[1])**:

$$\left( \frac{10.342}{11.414} \right) \times 0.19664 = 0.17818$$

### Examples

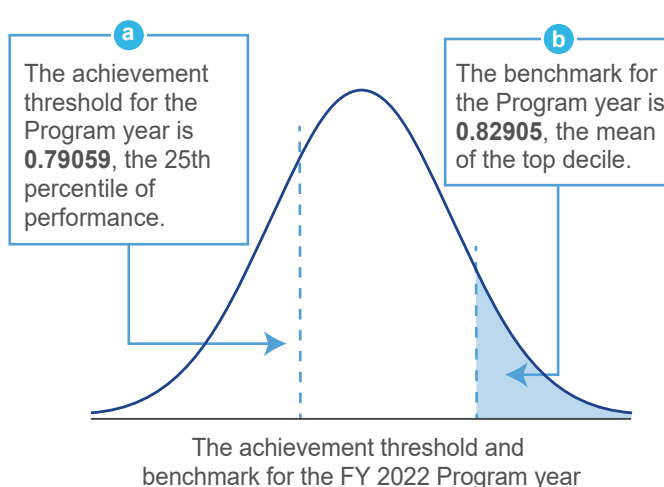**b** SNF A's Baseline Period inverted RSRR **(FY 2018)**:

$$1 - 0.20874 = 0.79126$$

SNF A's Performance Period inverted RSRR **(April 1, 2019–December 1, 2019[1])**:

$$1 - 0.17818 = 0.82182$$

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## STEP 2

### CALCULATE THE ACHIEVEMENT THRESHOLD AND BENCHMARK

**a** The **achievement threshold** is the 25th percentile of all SNFs' performance on the measure during the baseline period.

**b** The **benchmark** is the mean of the top decile of all SNFs' performance on the measure during the baseline period.

### Example



The achievement threshold for the Program year is **0.79059**, the 25th percentile of performance.

The benchmark for the Program year is **0.82905**, the mean of the top decile.

The achievement threshold and benchmark for the FY 2022 Program year

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## STEP 3

### DETERMINE THE PERFORMANCE SCORES FOR ALL SNFs

Per the suppression policy finalized in the FY 2022 SNF PPS final rule, CMS assigns each SNF a performance score of zero.[a,b]

[a] CMS suppressed the use of SNF readmission measure data for purposes of FY 2022 scoring and payment adjustments in the FY 2022 SNF VBP Program year because the effects of the COVID-19 public health emergency on the data used to calculate the SNFRM inhibited CMS's ability to make fair national comparisons of SNFs' performance. Under the suppression policy, CMS calculated an RSRR for both the baseline and performance period and then suppressed the use of SNF readmission measure data for purposes of scoring. CMS instead assigned each SNF a performance score of zero to mitigate the effect that the COVID-19 public health emergency would otherwise have had on SNFs' performance scores and incentive payment multipliers. The suppression policy was adopted in the FY 2022 SNF PPS final rule. CMS then applied the low-volume adjustment policy as previously finalized on pages 39278–39280 of the FY 2019 SNF PPS final rule.

[b] To see how performance scores are calculated in a standard Program year, in the absence of a suppression policy, see Step 3 of the SNF VBP FY 2021 Incentive Payment Multiplier Calculation Infographic.

### Example

SNF A's readmission measure data is suppressed from use in scoring. CMS assigns SNF A a performance score of **0.00000**.

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## STEP 4

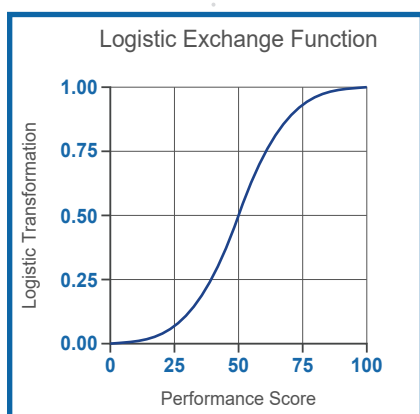### TRANSFORM PERFORMANCE SCORES FOR ALL SNFs

Take the calculated **performance scores** for all SNFs (ranging from 0 to 100, rounded to 5 decimal places) and transform the performance scores using the **logistic exchange function** (values now range from 0 to 1).

**Also referred to as an S-shaped curve.**

Logistic exchange function:

$$f(X_i) = \frac{1}{1 + e^{-0.1(X_i - 50)}}$$

The SNF's performance score (Step 3)

### Example

SNF A's performance score is **0.00000**.

Logistic exchange function:

$$\frac{1}{\left(1 + e^{-0.1(0.00000 - 50)}\right)} = 0.006692851$$

The transformed performance score for SNF A is **0.006692851**.



Logistic Exchange Function

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## STEP 5

### CALCULATE THE INCENTIVE PAYMENT POOL FOR ALL SNFs

Calculate the **incentive payment pool**:[2]

$$\text{The incentive payment pool} = \text{60\% of 2\% of SNF Medicare fee-for-service (FFS) Part A payments}$$

### Example

The FY 2022 SNF VBP Program used FY 2019 historical payment data to estimate the incentive payment pool.

The incentive payment pool:

2% of SNF Medicare FFS Part A payments:
**$24,959,660,999 x .02 = $499,193,219.98**

60% of the 2% of SNF Medicare FFS Part A payments:
**$499,193,219.98 x .60 = $299,515,931.99**

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## STEP 6

### CALCULATE A SCALING FACTOR

Each SNF's calculated **scaling factor** ensures that the sum of all SNFs' incentive payment adjustments equals the incentive payment pool.

$$\text{Scaling factor} = \frac{\text{Incentive payment pool (Step 5)}}{\sum \left( 0.02 \times \frac{\text{Total Medicare payments to SNF}}{} \times \frac{\text{SNF's transformed performance score (Step 4)}}{} \right)}$$

### Example

The incentive payment pool is **$299.52M**.

Scaling factor:

$$\frac{\$299,515,931.99}{\$3,341,025.80} = 89.647895462$$

The scaling factor for all SNFs is **89.647895462**.

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## STEP 7

### DETERMINE EACH SNF'S INCENTIVE PAYMENT ADJUSTMENT

$$\text{Incentive payment adjustment} = 0.02 \times \frac{\text{SNF's transformed performance score (Step 4)}}{} \times \frac{\text{Scaling factor (Step 6)}}{}$$

### Example

Incentive payment adjustment:

**0.02 x 0.006692851 x 89.647895462 = 0.0120000000**

SNF A's incentive payment adjustment is **0.0120000000**.

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## STEP 8

### CALCULATE EACH SNF'S INCENTIVE PAYMENT MULTIPLIER

The **incentive payment multiplier** simultaneously accounts for the 2 percent withhold and the incentive payment adjustment.

$$\text{Incentive payment multiplier} = \frac{\text{Incentive payment adjustment (Step 7)}}{} + 0.98$$

### Example

Incentive payment multiplier:

**0.0120000000 + 0.98 = 0.9920000000**

SNF A's incentive payment multiplier is **0.9920000000**.

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## STEP 9

### APPLY THE LOW-VOLUME ADJUSTMENT (LVA)

SNFs with fewer than 25 eligible stays in the performance period → Adjust incentive payment multipliers (Step 8) to 1.0[3]

Incentive payment multipliers for SNFs with at least 25 eligible stays in the performance period will remain the same.

### Example

SNF A has 27 eligible stays in the performance period, a performance score of **0.00000**, and its incentive payment multiplier remains at **0.9920000000** because it has at least 25 eligible stays in the performance period.

### Example

SNF B has 20 eligible stays in the performance period, a performance score of **0.00000**, and an original incentive payment multiplier of **0.9920000000**.

Because SNF B has fewer than 25 eligible stays in the performance period, the performance score is adjusted to **5.15328** and the incentive payment multiplier adjusts to **1.0**, a net-neutral multiplier.

### Example

| SNF | Eligible stays | Unadjusted incentive payment multiplier | Apply the LVA? | Adjusted incentive payment multiplier | Adjusted performance score |
|-----|---------------|----------------------------------------|----------------|---------------------------------------|----------------------------|
| SNF A | 27 | 0.9920000000 | No | N/A | N/A |
| SNF B | 20 | 0.9920000000 | ✓ Yes | 1.0 | 5.15328 |

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[1] In response to the COVID-19 public health emergency, CMS is excluding qualifying claims in the first two quarters of Calendar Year (CY) 2020 (January 1, 2020 – June 30, 2020) from use in the SNF VBP Program. Additionally, because the SNFRM assesses hospital readmissions within 30 days of discharge from a prior hospitalization to a SNF and requires data from 12 months prior to the start of the SNF stay for risk adjustment, residents that were discharged from the hospital to the SNF after December 1, 2019 and residents with SNF admissions from July 1, 2020 – September 30, 2020 are excluded from the SNFRM calculations due to missing data. Thus, the FY 2022 SNF VBP Program performance period originally specified in the interim final rule with comment period has been restricted to April 1, 2019 through December 1, 2019. For further information please see pages 54835 through 54837 of the interim final rule with comment period and the FY 2022 SNF PPS final rule.

[2] Per statute, the SNF VBP Program must withhold 2% of SNF Medicare FFS Part A payment and redistribute 50–70% of the withhold to SNFs in the form of incentive payments. CMS finalized a 60% payback percentage on pages 36619 through 36621 of the FY 2018 SNF PPS final rule and discussed maintaining the 60% payback percentage for the FY 2022 SNF VBP Program year in the FY 2022 SNF PPS final rule.

[3] A low-volume adjustment (LVA) policy was implemented beginning with the FY 2020 SNF VBP Program year. This policy was discussed and finalized on pages 39278 through 39280 of the FY 2019 SNF PPS final rule and CMS discussed maintaining the policy for the FY 2022 Program year in the FY 2022 SNF PPS final rule. The following is a summary of this policy:

- SNFs with fewer than 25 stays in the performance period of a given Program year, regardless of the number of stays in the baseline period, will automatically receive a net-neutral incentive payment multiplier of 1.0 for that Program year. This means that payment will not be impacted by the SNF VBP Program. These SNFs are also assigned a neutral performance score and rank.
- In a standard Program year, SNFs with 25 stays or more in the performance period of a given Program year and fewer than 25 stays in the baseline period will be scored on achievement only. CMS will not score these SNFs on improvement. The achievement score will equal the performance score. However, these SNFs are subject to the suppression policy discussed in Step 3 above and were assigned a performance score of zero.

Note: In the examples above, the final digit of the calculated values might not exactly match actual SNF VBP Program results due to rounding.