

Skilled Nursing Facility Value-Based Purchasing Program FY 2027 Program Year Incentive Payment Multiplier Calculation



This infographic describes how performance scores and incentive payment multipliers are calculated for the Fiscal Year (FY) 2027 Skilled Nursing Facility Value-Based Purchasing (SNF VBP) Program year.

CALCULATE MEASURE RESULTS

For the FY 2027 Program year, the Centers for Medicare and Medicaid Services (CMS) awards incentive payments to SNFs through the SNF VBP Program **based on performance across eight quality measures:**

- the Skilled Nursing Facility 30-Day All-Cause Readmission Measure (SNFRM),
- the Skilled Nursing Facility Healthcare-Associated Infections Requiring Hospitalization (SNF HAI) measure,
- the Discharge to Community—Post-Acute Care Measure for SNFs (DTC PAC SNF),
- the Number of Hospitalizations per 1,000 Long Stay Resident Days (Long Stay Hospitalization) measure,
- the Total Nursing Staff Turnover (Nursing Staff Turnover) measure,
- the Total Nursing Hours per Resident Day (Total Nurse Staffing) measure,
- the Discharge Function Score for SNFs (Discharge Function Score) measure, and
- the Percent of Residents Experiencing One or More Falls with Major Injury (Falls with Major Injury (Long-Stay)) measure.

a CMS calculates results for all eight measures during a **baseline period** and a **performance period**.

Measure name and technical report	What is the measure result?
SNFRM	Evaluates the annual risk-standardized rate of unplanned, all-cause hospital readmissions
SNF HAI	Evaluates the annual risk-standardized rate of healthcare-associated infections requiring hospitalization that are acquired during SNF care
DTC PAC SNF	Evaluates the two-year risk-standardized rate of successful discharges to the community from a SNF
Long Stay Hospitalization	Evaluates the annual risk-standardized number of unplanned hospitalizations that occurred among long-stay residents per 1,000 long-stay resident days
Nursing Staff Turnover	Evaluates the annual turnover rate among eligible SNF staff, including registered nurses (RNs), licensed practical/vocational nurses (LPNs), and nurse aides
Total Nurse Staffing	Evaluates the average case-mix adjusted total nursing staff hours (including RNs, LPNs, and nurse aides) per resident day
Discharge Function Score	Evaluates the annual percentage of SNF stays that meet or exceed an expected discharge function score
Falls with Major Injury (Long-Stay)	Evaluates the percentage of long-stay residents who have experienced one or more falls resulting in major injury

b CMS calculates **inverted measure results** for the SNFRM, SNF HAI, Nursing Staff Turnover, Falls with Major Injury (Long-Stay), and Long Stay Hospitalization measures, so that higher results indicate better performance for all eight quality measures in the SNF VBP Program. For these measures, inverted measure results are used for all subsequent calculations.



Example

a/b SNF A's baseline period measure results:

Measure	Baseline period	Baseline period measure result	Baseline period inverted measure result (higher results are better)
SNFRM	FY 2023	19.65%	$1 - 19.65\% = 80.35\%$
SNF HAI	FY 2023	6.21%	$1 - 6.21\% = 93.79\%$
DTC PAC SNF	FY 2021–2022	45.59%	Not inverted
Long Stay Hospitalization	FY 2023	Not enough data	Not enough data
Nursing Staff Turnover	FY 2023	93.61%	$1 - 93.61\% = 6.39\%$
Total Nurse Staffing	FY 2023	5.03 nursing hours per resident day	Not inverted
Discharge Function Score	FY 2023	62.50%	Not inverted
Falls with Major Injury (Long-Stay)	FY 2023	1.83%	$1 - 1.83\% = 98.17\%$

a/b SNF A's performance period measure results:

Measure	Performance period	Performance period measure result	Performance period inverted measure result (higher results are better)
SNFRM	FY 2025	18.31%	$1 - 18.31\% = 81.69\%$
SNF HAI	FY 2025	4.66%	$1 - 4.66\% = 95.34\%$
DTC PAC SNF	FY 2024–2025	39.53%	Not inverted
Long Stay Hospitalization	FY 2025	2.18 hospitalizations	$1 - (2.18/1000) = 1$
Nursing Staff Turnover	FY 2025	31.31%	$1 - 31.31\% = 68.69\%$
Total Nurse Staffing	FY 2025	4.64 nursing hours per resident day	Not inverted
Discharge Function Score	FY 2025	Not enough data	Not inverted
Falls with Major Injury (Long-Stay)	FY 2025	1.58%	$1 - 1.58\% = 98.42\%$

STEP 1

CALCULATE THE PERFORMANCE STANDARDS

CMS calculates **two performance standards** for the SNF VBP Program for each of the eight quality measures. These performance standards are applicable to all SNFs subject to the SNF VBP Program:

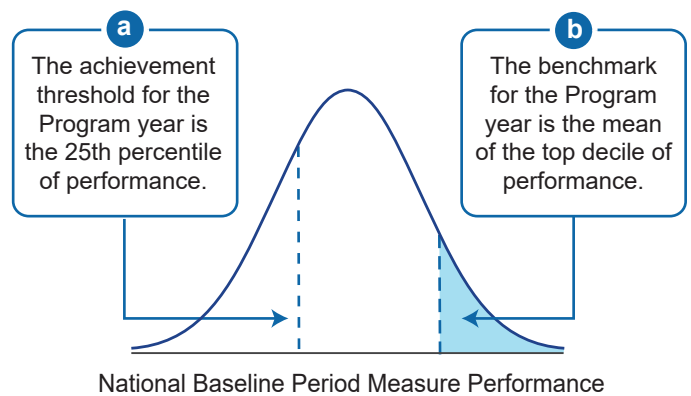
- a** The **achievement threshold** is the 25th percentile of all SNFs' performance on a measure during the baseline period.
- b** The **benchmark** is the mean of the top decile of all SNFs' performance on a measure during the baseline period.

For the SNFRM, SNF HAI, Nursing Staff Turnover, Falls with Major Injury (Long-Stay), and Long Stay Hospitalization measures, performance standards are calculated using inverted measure results that are rescaled from percentages to proportions. Performance standards are published annually in the SNF PPS final rule and are also available on the [SNF VBP Program webpage](#) on CMS.gov.



Official Calculations

Performance Standards for the FY 2027 Program Year



Measure	Achievement threshold	Benchmark
SNFRM	0.78709	0.82702
SNF HAI	0.92219	0.94693
DTC PAC SNF	0.42946	0.66370
Long Stay Hospitalization	0.99758	0.99959
Nursing Staff Turnover	0.40230	0.75655
Total Nurse Staffing	3.21488	5.81159
Discharge Function Score	0.40000	0.78800
Falls with Major Injury (Long-Stay)	0.95349	0.99950

STEP 2

DETERMINE MEASURE SCORES

To determine the **measure score** for each measure, CMS first calculates the **improvement score** (scores range from 0 to 9) and the **achievement score** (scores range from 0 to 10) for each measure using the criteria and equations below. Whichever score is higher becomes the measure score.¹

a Improvement Score (0-9 points, higher is better)

If the SNF's performance period measure result is...	Then the SNF receives...
Less than or equal to the SNF's baseline period measure result	0 points for improvement
Greater than or equal to the benchmark	9 points for improvement
Greater than the SNF's baseline period measure result but less than the benchmark	Between 0 and 9 points for improvement as calculated using this formula:

$$\left(\left[10 \times \left(\frac{\text{SNF perf. period measure result} - \text{SNF baseline period measure result}}{\text{Benchmark} - \text{SNF baseline period measure result}} \right) \right] - 0.5 \right)$$

b Achievement Score (0-10 points, higher is better)

If the SNF's performance period measure result is...	Then the SNF receives...
Less than the achievement threshold	0 points for achievement
Greater than or equal to the benchmark	10 points for achievement
Greater than or equal to the achievement threshold but less than the benchmark	Between 0 and 10 points for achievement as calculated using this formula:

$$\left(\left[9 \times \left(\frac{\text{SNF perf. period measure result} - \text{Achievement threshold}}{\text{Benchmark} - \text{Achievement threshold}} \right) \right] + 0.5 \right)$$

The following elements are used to determine each SNF's measure scores:

- The SNF's baseline period measure results (Step 1)
- The SNF's performance period measure results (Step 1)
- The achievement thresholds and benchmarks (that is, the performance standards for the SNF VBP Program) (Step 2)

Example

a/b SNF A's improvement scores, achievement scores, and measure scores for each measure:

Measure	Improvement score	Achievement score	Measure score (whichever is higher, see check marks)
SNFRM	5.18523	7.21349 ✓	7.21349
SNF HAI	9.00000	10.00000 ✓	10.00000
DTC PAC SNF	0.00000	0.00000	0.00000
Long Stay Hospitalization	Not enough data	1.55913 ✓	1.55913
Nursing Staff Turnover	8.49399 ✓	7.72969	8.49399
Total Nurse Staffing	0.00000	5.45215 ✓	5.45215
Discharge Function Score	Not enough data	Not enough data	Not enough data
Falls with Major Injury (Long-Stay)	0.89593	6.49882 ✓	6.49882

¹ To receive a measure score, a SNF must (1) provide reportable data to CMS and (2) meet the applicable measure's case minimum during the performance period. This is known as the case minimum policy. If a SNF does not meet the case minimum for a particular measure during the performance period, that measure is not included in the calculation of a performance score or incentive payment multiplier. The case minimum for each measure was finalized in the SNF PPS final rule and is available on the [SNF VBP Program webpage](#) on CMS.gov.

If a SNF does not meet the case minimum for a particular measure during the baseline period only, the SNF will only be scored on achievement; the SNF will not be scored on improvement, so the SNF's achievement score will equal their measure score.

NORMALIZE MEASURE SCORES AND DETERMINE PERFORMANCE SCORES

To calculate the **performance score** (0 to 100 points), CMS first normalizes each measure score to determine its contribution to the performance score.

a For each measure, a **normalized measure score** is calculated by dividing the measure score (Step 3) by the sum of the maximum possible measure scores across all measures for which the SNF received a measure score, and multiplying the result by 100.

$$\text{Normalized measure score} = \left(\frac{\text{Measure score (Step 3)}}{\sum (\text{Maximum possible measure scores})} \right) \times 100$$

b The individual **normalized measure scores** are then summed together to determine the **performance score** (range 0 to 100, higher is better).²

$$\text{Performance score} = \sum (\text{Normalized measure scores})$$

² To receive a performance score and incentive payment multiplier, for at least four of eight measures, SNFs must (1) provide reportable data to CMS, and (2) meet the case minimum during the performance period. This is known as the measure minimum policy. SNFs that do not meet the measure minimum are excluded from the SNF VBP Program.

If a SNF does not meet the measure minimum policy in the FY 2027 Program year, payments to the SNF will not be affected by the SNF VBP Program, and the SNF will not receive a performance score or incentive payment multiplier for the FY 2027 Program year; instead, they will receive their adjusted federal per diem rate. CMS adopted the measure minimum policy in the [FY 2024 SNF PPS final rule](#) (88 FR 53302-53303).

Example

a/b SNF A's normalized measure scores for each measure and SNF A's performance score:

Measure	Measure score	Maximum possible measure score	Normalized measure score (that is, contribution to performance score)
SNFRM	7.21349	10.00000	$\left(\frac{7.21349}{10.00000} \right) \times 100 = 10.30498$
SNF HAI	10.00000	10.00000	$\left(\frac{10.00000}{10.00000} \right) \times 100 = 14.28571$
DTC PAC SNF	0.00000	10.00000	$\left(\frac{0.00000}{10.00000} \right) \times 100 = 0.00000$
Long Stay Hospitalization	1.55913	10.00000	$\left(\frac{1.55913}{10.00000} \right) \times 100 = 2.22733$
Nursing Staff Turnover	8.49399	10.00000	$\left(\frac{8.49399}{10.00000} \right) \times 100 = 12.13428$
Total Nurse Staffing	5.45215	10.00000	$\left(\frac{5.45215}{10.00000} \right) \times 100 = 7.78878$
Discharge Function Score	Not enough data	Not enough data	Not enough data
Falls with Major Injury (Long-Stay)	6.49882	10.00000	$\left(\frac{6.49882}{10.00000} \right) \times 100 = 9.28403$
Sum of all measures	39.21758	70.00000	56.02511

SNF A's performance score is **56.02511**.

TRANSFORM PERFORMANCE SCORES

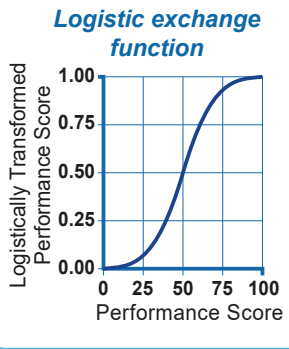
To translate performance scores into incentive payments, CMS transforms each SNF's **performance score** using the **logistic exchange function** (transformed scores range from 0 to 1).

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 4)



Example

SNF A's performance score is 56.02511.

Logistic exchange function:

$$\frac{1}{(1 + e^{-0.1(56.02511 - 50)})} = 0.6462306821$$

The transformed performance score for SNF A is **0.6462306821**.

CALCULATE THE INCENTIVE PAYMENT POOL

CMS calculates the **incentive payment pool**³ to determine what payments are available for redistribution in the form of incentive payments:

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

³ Per statute, the SNF VBP Program must withhold 2% of SNF Medicare FFS Part A payments and then redistribute 50%–70% of the withhold to SNFs in the form of incentive payments. CMS finalized a 60% payback percentage in the [FY 2018 SNF PPS final rule](#) (pages 36619–36621).

The FY 2027 SNF VBP Program will use historical payment data from FY 2024 to estimate the incentive payment pool.



Example

2% of SNF Medicare FFS Part A payments:

$$\$25,426,133,855 \times 0.02 = \$508,522,677.10$$

60% of the 2% of SNF Medicare FFS Part A payments:

$$\$508,522,677.10 \times 0.60 = \$305,113,606.26$$

The incentive payment pool is **\$305.11M**.

CALCULATE THE SCALING FACTOR

CMS calculates the **scaling factor** so that the sum of all included SNFs' incentive payment adjustments equals the incentive payment pool.

$$\text{Scaling factor} = \frac{\text{Incentive payment pool (Step 6)}}{\sum \left(0.02 \times \frac{\text{Total Medicare FFS Part A payments to SNF}}{\text{SNF's transformed performance score (Step 5)}} \right)}$$



Example

The incentive payment pool is \$305.11M.

Scaling factor:

$$\frac{\$305,113,606.26}{\$144,641,124.57} = 2.1094526689$$

The scaling factor for all SNFs is **2.1094526689**.

DETERMINE EACH SNF'S INCENTIVE PAYMENT ADJUSTMENT

$$\text{Incentive payment adjustment} = 0.02 \times \frac{\text{SNF's transformed performance score (Step 5)}}{\text{SNF's transformed performance score (Step 5)}} \times \text{Scaling factor (Step 7)}$$



Example

Incentive payment adjustment:

$$0.02 \times 0.6462306821 \times 2.1094526689 = 0.0272638607$$

SNF A's incentive payment adjustment is **0.0272638607**.

CALCULATE EACH SNF'S INCENTIVE PAYMENT MULTIPLIER

The **incentive payment multiplier** simultaneously accounts for the 2% withhold and the incentive payment adjustment. CMS applies each SNF's incentive payment multiplier to the SNF's adjusted federal per diem rate.

$$\text{Incentive payment multiplier} = \frac{\text{Incentive payment adjustment (Step 8)}}{\text{Adjusted federal per diem rate}} + 0.98$$



Example

Incentive payment multiplier:

$$0.0272638607 + 0.98 = 1.0072638607$$

SNF A's incentive payment multiplier is **1.0072638607**.

When CMS makes payments for SNF A's Medicare fee-for-service Part A claims in FY 2027, SNF A's adjusted federal per diem rate is multiplied by SNF A's incentive payment multiplier.