

Disclosure of Commercial Interests

I consult for the following organizations:

Celtic Consulting LLC
President, CEO

Celtic Consulting is a Long-Term Care advisory firm, focused on providing one-on-one oversight to facilities of all sizes.



Goodbye PPS: Hello RCS! American College of Healthcare Administrators

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Maureen McCarthy, RN, RAC-MT, QCP-MT

Maureen is the President of **Celtic Consulting**, LLC and the CEO and founder of **Care Transitions**, LLP; a post discharge care management service provider.

McCarthy is also the creator of the **McCARTHY METHOD**, a documentation improvement system for ADL coding.

She has been a registered nurse for 30 years with experience as an MDS Coordinator, director of nursing, rehab director and a Medicare biller. She is a recognized leader and expert in clinical reimbursement in the skilled nursing facility environment; She is the immediate past-president for the Association of Long Term Care Financial Managers, is the Medicare & MDS 3.0 Advisor for Connecticut Association of Health Care Facilities (CAHCF), and is an advisor to the J13 Medicare contractor National Government Services Provider Advisory Group. She is also an Editorial Advisor for HCPro, a national publisher for post-acute care providers, as well as an advisor to the New York State Healthcare Facilities Association on the Nursing Leadership Committee, and the Payment for Services Group.

Maureen is dually certified in both the resident assessment process and QAPI by nationally recognized organizations and holds Master Teacher status in both. She holds a degree in Business Management as well as a Nursing degree and served as an expert witness. In September of 2011, she released her first co-authored publication, **THE LONG TERM CARE COMPLIANCE TOOLKIT**, a 2nd publication, **ICD-10 Compliance** Process Improvement and Maintenance for LTC, which was released June 2015, a 3rd publication on **Medicare Audits: A Survival Guide for SNF** released October 2016, a 4th publication **5-Star Quality Rating System Technical Users Guide** released March 2017 with a 5th publication on **Medication Reconciliation** due out in Fall of 2017.



Objectives

- Explain the rate setting methodology for Resident Classification System (RSC-1)
- Overview of new RCS-1 payment system to replace PPS
- Sneak peak of initial 10/1/18 MDS Changes for RCS-1 & QRP



Resident Classification System – RCS-1



Resident Classification System (RSC-1)

- PPS is resource use based, incentivizing use of rehab therapy for higher revenue
 - Rehab RUG levels became targets
- Complex medical admissions support therapy
- CMS will create disincentive for SNFs to push up rehab RUG levels
- RCS will be based on resident conditions



FY 2018 Rate Methodology

- Market basket changes
 - Predicted an increase of 2.7% and no Productivity adjustment due to prior year showed no increase
 - 2016 market basket 2.3, actual increase 2.3 =0% change
 - Actual market basket increase of 1%
 - CMS implemented a Special Rule stating that the FY 2018 market basket must equal 1%
 - No Multi Factor Productivity adjustment applied (0.4%)
 - May also subject to 2% reduction related to SNFQRP data under 80% of total MDSs & 2% VBP
- Wage Weighted Staff Time
 - Based on 2014 Nursing RUGs (43)



Comparing Groups					STRIVE Pop.	Follows Expect. Trend	Avg. WWST by ADL Score				
							0-1	2-5	6-10	11-14	15-16
-	HB2	HC2	HD2	HE2	Full	N	-	225	210	261	301
					Part A	N	-	266	263	281	384
-	HB1	HC1	HD1	HE1	Full	Y	-	175	208	227	242
					Part A	N	-	187	230	253	249
-	LB2	LC2	LD2	LE2	Full	Y	-	182	182	203	230
					Part A	N	-	186	183	224	224
-	LB1	LC1	LD1	LE1	Full	Y	-	156	168	187	213
					Part A	Y	-	188	190	229	270
CA2	CB2	CC2	CD2	CE2	Full	N	123	160	179	208	202
					Part A	Y	122	185	232	240	256
CA1	CB1	CC1	CD1	CE1	Full	Y	118	137	149	175	201
					Part A	N	160	139	176	197	225
BA2	BB2	-	-	-	Full	Y	89	110	-	-	-
					Part A	Y	78	132	-	-	-
BA1	BB1	-	-	-	Full	Y	76	115	-	-	-
					Part A	Y	103	137	-	-	-
PA2	PB2	PC2	PD2	PE2	Full	Y	63	112	127	160	180
					Part A	N	62	149	134	203	270
PA1	PB1	PC1	PD1	PE1	Full	Y	69	110	140	154	174
					Part A	N	109	137	174	175	173



FY 2018 Rate Structure

Urban

Rate Component	Nursing - Case-Mix	Therapy - Case-Mix	Therapy - Non-Case-mix	Non-Case-Mix
Per Diem Amount	\$177.16	\$133.44	\$17.58	\$90.42

Rural

Rate Component	Nursing - Case-Mix	Therapy - Case-Mix	Therapy - Non-Case-mix	Non-Case-Mix
Per Diem Amount	\$169.24	\$153.87	\$18.78	\$92.09



FY 2018 Rate Methodology

- 2014 claims data was extrapolated to study SNF billing patterns and resident characteristics and learned where costs decreased or leveled off and what resources were used through the length of stay
 - Diagnoses, length of stay, ARDs, RUG level per beneficiary



FY 2018 Rate Methodology

- Acumen research linked costs to beneficiary characteristics then verify via provider info using cost reports and wage data to estimate beneficiary costs
- Normalized for all SNF sizes
- Cross referenced via CASPER reports
- Backed into costs using CCR from cost reports
 - Cost-to-charge ratios



FY 2018 Rate Methodology

- Do you include all charges on claims by revenue code? \$58/day higher than average
 - IVs separate from drugs
 - Specialized services
 - Hyperbaric chambers
 - Wound supplies
 - Enteral feeding supplies
- Did you have accurate diagnosis codes? or....
- V57.89 Multiple therapies



Cost of Inaccurate Diagnoses

- Prior hospital stay diagnoses used because 47% of providers used generic procedure codes rather than diagnosis codes like V57.98 (multiple therapies)
- Does not reflect primary reason for skilled care, irrelevant to describe resident condition



Co-morbid Conditions

- Diagnoses mapped to condition categories (clinical groupings)
- Data obtained through MDS assessments and 1 year look back to other providers (MD, Hospital, OPT) to identify chronic conditions
- ICD-9 codes (2014)



Co-morbidity Score

- A count system will be summed to assign payment rates based on the number of comorbidities present and based on the number of comorbid conditions and costs
 - Higher payments for those with more co-morbidities
- Diagnosis coding!!!
- NTA costs higher for those with higher multiple comorbid conditions

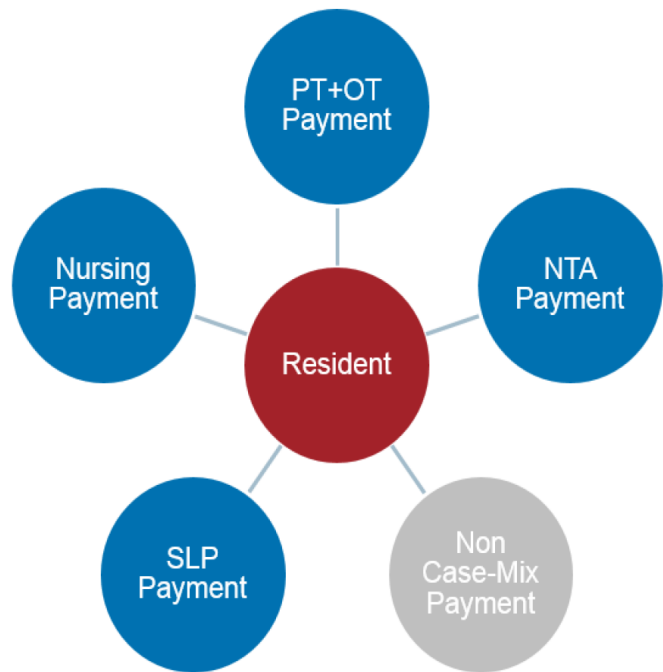


FY 2018 Rate Methodology

- Base Rate + CMI + Adjustment factor
- CMI dependent on resident classification assigned
 - Nursing
 - PT/OT
 - SLP
 - NTA



RCS Payment Calculation



PT/OT

- Based on hospital diagnoses
 - Separated surgical DRGs from medical DRGs
 - Surgical further divided by Ortho and Non-ortho
- Cognitive status
- Functional status

SLP

- Based on hospital diagnosis
 - Cognitive status
 - Speech related co-morbidities
 - Swallowing problem
 - Mechanically altered diet



SLP Related Co-morbidities

Aphasia	Laryngeal Cancer
CVA, TIA, or Stroke	Apraxia
Hemiplegia or Hemiparesis	Dysphagia
Traumatic Brain Injury	ALS
Tracheostomy (while Resident)	Oral Cancers
Ventilator (while Resident)	Speech and Language Deficits



Nursing

- Based on clinical diagnoses from SNF stay
- End Splits
 - Extensive services
 - Depression
 - Restorative nursing



NTA

- Non-Therapy Ancillary Services
- Based on co-morbidities
- Extensive Services
 - Isolation
 - Tracheostomy
 - Ventilator



Non-case Mix

- Therapy evaluations
- Other items related to therapy for non-rehab RUG groups
- Room and Board

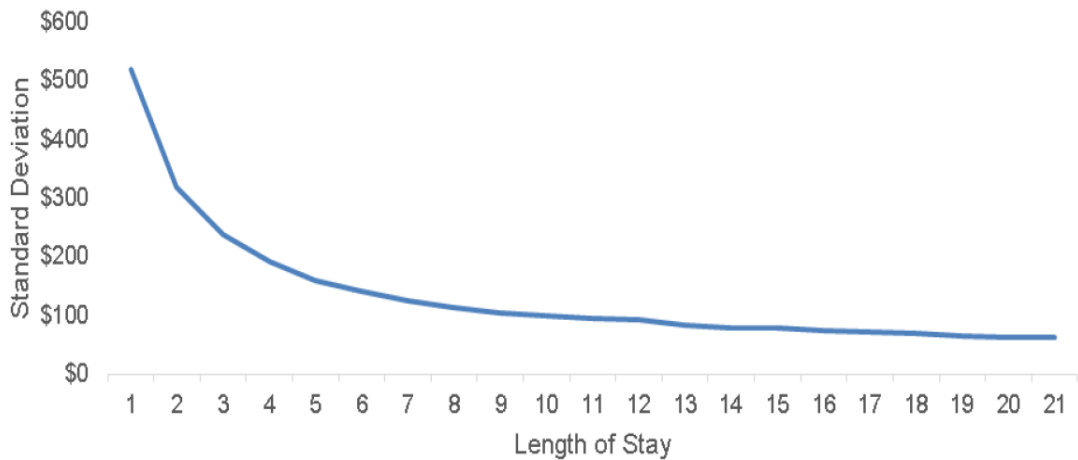


Adjustment Factor

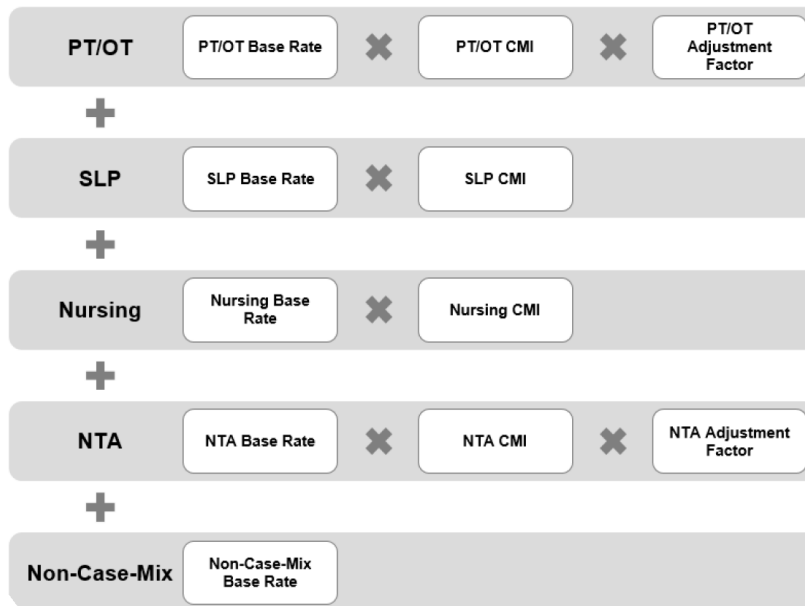
- Claims showed that costs reduced depending on LOS
- Variable per diem schedule based on day of stay
- Will reduce PT/OT by 1% per day after day 14
 - So day 15 will be day 1 with a 1% reduction through day 100 (71%) of PT/OT costs
- NTA costs drop after day 3 (\$150 vs \$47/day)



Standard Deviation of NTA Costs per Day by Length of Stay



Recommended Case-Mix Adjusted Payment



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Clinical Condition Categories

Major Joint Replacement or Spinal Surgery
Other Orthopedic
Non-Orthopedic Surgery
Acute Neurologic
Medical Management



MDS

- Version 1.16 will have multiple changes related to RCS and new QMs for SNFQRP
- Transition/Effective date 10/1/18
- ADLs used for Non-rehab RUGs for Nursing component
- Functional score used for PT/OT component
- Will add a section for Primary diagnosis



Cognitive Function Scale

Combines BIMS and Cognitive Performance Scales to compare cognitive function across all residents

- Makes self understood
- CPS (coma, ST memory, decision making, ADL)
- BIMS (interview or assessment)

CFS Cognitive Scale	BIMS Score	CPS Score
Cognitively Intact	13-15	-
Mildly Impaired	8-12	0-2
Moderately Impaired	0-7	3-4
Severely Impaired	-	5-6



Functional Score PT/OT

- Based on 3 ADLs (Bed Mobility eliminated)
- Range 0-18
 - Therapy costs increased then decreased with greater dependence in regard to toileting and transfer
 - Costs increased with dependent level for eating
 - Limited assist resulted in highest PT/OT costs (6pt)
 - Extensive assist, results in 5 points



Functional Scoring

- 3 of the 4 late loss ADLs will be used to determine functional score
- Bed Mobility is not utilized
- Only Self Performance is used, Support is ignored
- Uses 'Activity Happened Once or Twice' (7)
- Uses 'Activity Did not Occur' (8)



ADL Points for Functional Score

ADL Self-Performance Score	Transfer	Toileting	Eating
Independent	+3	+3	+6
Supervision	+4	+4	+5
Limited Assistance	+6	+6	+4
Extensive Assistance	+5	+5	+3
Total Dependence	+2	+2	+2
Activity Occurred only Once or Twice	+1	+1	+1
Activity did not Occur	+0	+0	+0



Classification and Regression Tree

- First start with clinical reasons using 1st line on Section I diagnosis coding
 - This will be the field for primary diagnosis assignment
- Then for PT/OT the Functional score is determined, then Cognitive Functional Score
- For SLP, the presence of a swallowing disorder/mechanically altered diet, SLP comorbidity, then cognitive impairment



CART Regression Assignments for Final Group

- 30 case-mix groups for PT/OT
- 18 case mix groups for SLP
- 43 case mix groups for Nursing
- Total of 91 possible CMI groupings
- 6 NTA add-ons



CART for PT/OT

Clinical Category	Function Score	Moderate/Severe Cognitive Impairment	Case-Mix Group	Case-Mix Index
Major Joint Replacement or Spinal Surgery	14-18	No	TA	1.82
	14-18	Yes	TB	1.59
	8-13	No	TC	1.73
	8-13	Yes	TD	1.45
	0-7	No	TE	1.68
	0-7	Yes	TF	1.36
Other Orthopedic	14-18	No	TG	1.70
	14-18	Yes	TH	1.55
	8-13	No	TI	1.58
	8-13	Yes	TJ	1.39
	0-7	No	TK	1.38
	0-7	Yes	TL	1.14



Clinical Category	Function Score	Moderate/Severe Cognitive Impairment	Case-Mix Group	Case-Mix Index
Acute Neurologic	14-18	No	TM	1.61
	14-18	Yes	TN	1.48
	8-13	No	TO	1.52
	8-13	Yes	TP	1.36
	0-7	No	TQ	1.47
	0-7	Yes	TR	1.17
Non-Orthopedic Surgery	14-18	No	TS	1.57
	14-18	Yes	TT	1.43
	8-13	No	TU	1.38
	8-13	Yes	TV	1.17
	0-7	No	TW	1.11
	0-7	Yes	TX	0.80
Medical Management	14-18	No	T1	1.55
	14-18	Yes	T2	1.39
	8-13	No	T3	1.36
	8-13	Yes	T4	1.17
	0-7	No	T5	1.10
	0-7	Yes	T6	0.82



CART for SLP

Clinical Category	Presence of Swallowing Disorder or Mechanically-Altered Diet	SLP-related comorbidity or Mild to Severe Cognitive Impairment	Case-Mix Group	Case-Mix Index
Acute Neurologic	Both	Both	SA	4.19
	Both	Either	SB	3.71
	Both	Neither	SC	3.37
	Either	Both	SD	3.67
	Either	Either	SE	3.12
	Either	Neither	SF	2.54
	Neither	Both	SG	2.97
	Neither	Either	SH	2.06
Non-Neurologic	Neither	Neither	SI	1.28
	Both	Both	SJ	3.21
	Both	Either	SK	2.96
	Both	Neither	SL	2.63
	Either	Both	SM	2.62

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CART for SLP

Clinical Category	Presence of Swallowing Disorder or Mechanically-Altered Diet	SLP-related comorbidity or Mild to Severe Cognitive Impairment	Case-Mix Group	Case-Mix Index
	Either	Either	SN	2.22
	Either	Neither	SO	1.70
	Neither	Both	SP	1.91
	Neither	Either	SQ	1.38
	Neither	Neither	SR	0.61

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Classification and Regression Tree

- First start with clinical reasons using 1st line on Section I diagnosis coding
 - This will be the field for primary diagnosis assignment
- Then for PT/OT the Functional score is determined, then Cognitive Functional Score
- For SLP, the presence of a swallowing disorder/mechanically altered diet, SLP comorbidity, then cognitive impairment



Nursing CART Assignment

- First assigns the Non-rehab RUG assignment
- Then assign weights for WWST (wage weighted staff time)
- Apply end-splits
 - ADL score
 - Depression score
 - Restorative nursing



CART for Nursing

RUG-IV Category	Current Nursing Case-Mix Index	Nursing Case-Mix Index
ES3	3.58	3.84
ES2	2.67	2.90
ES1	2.32	2.77
HE2	2.22	2.27
HE1	1.74	2.02
HD2	2.04	2.08
HD1	1.60	1.86
HC2	1.89	2.06
HC1	1.48	1.84
HB2	1.86	1.88
HB1	1.46	1.67
LE2	1.96	1.88

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RUG-IV Category	Current Nursing Case-Mix Index	Nursing Case-Mix Index
LE1	1.54	1.68
LD2	1.86	1.84
LD1	1.46	1.64
LC2	1.56	1.55
LC1	1.22	1.39
LB2	1.45	1.48
LB1	1.14	1.32
CE2	1.68	1.84
CE1	1.50	1.60
CD2	1.56	1.74
CD1	1.38	1.51
CC2	1.29	1.49
CC1	1.15	1.30
CB2	1.15	1.37
CB1	1.02	1.19
CA2	0.88	1.03
CA1	0.78	0.89
BB2	0.97	1.05
BB1	0.90	0.97
BA2	0.70	0.74
BA1	0.64	0.68
PE2	1.50	1.60
PE1	1.40	1.47
PD2	1.38	1.48
PD1	1.28	1.36
PC2	1.10	1.23
PC1	1.02	1.13
PB2	0.84	0.98
PB1	0.78	0.90
PA2	0.59	0.68
PA1	0.54	0.63

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AIDS/HIV Add-on

- No longer 128 % of the RUG
- Still utilized ICD-10 code assignment of B20
- Will utilize a 19% increase to nursing (1.19) component of CMI WWST
- Will also be assigned 8 Co-morbidity points the highest level
- NTA costs 151% higher for AIDS/HIV



NTA Classification

- 2 tier assignment
- Uses both resident conditions or diagnoses
- Then determines use of extensive services

Condition/Extensive Service	Source	NTA Tier	Points
HIV/AIDS	SNF Claim	Ultra-High	+8
Parenteral/IV Feeding – High Intensity	MDS Item K0510A2	Very-High	+7
IV Medication	MDS Item O0100H2	High	+5
Parenteral/IV Feeding – Low Intensity	MDS Item K0710A2, K0710B2	High	+5
Ventilator/Respirator	MDS Item O0100F2	High	+5



Condition/Extensive Service	Source	NTA Tier	Points
Transfusion	MDS Item O0100I2	Medium	+2
Kidney Transplant Status	MDS Item I8000	Medium	+2
Opportunistic Infections	MDS Item I8000	Medium	+2
Infection with multi-resistant organisms	MDS Item I1700	Medium	+2
Cystic Fibrosis	MDS Item I8000	Medium	+2
Multiple Sclerosis (MS)	MDS Item I5200	Medium	+2
Major Organ Transplant Status	MDS Item I8000	Medium	+2
Tracheostomy	MDS Item O0100E2	Medium	+2
Asthma, COPD, or Chronic Lung Disease	MDS Item I6200	Medium	+2
Chemotherapy	MDS Item O0100A2	Medium	+2
Diabetes Mellitus (DM)	MDS Item I2900	Medium	+2
End-Stage Liver Disease	MDS Item I8000	Low	+1
Wound Infection (other than foot)	MDS Item I2500	Low	+1
Transplant	MDS Item I8000	Low	+1
Infection Isolation	MDS Item O0100M2	Low	+1
MRSA	MDS Item I8000	Low	+1
Radiation	MDS Item O0100B2	Low	+1
Diabetic Foot Ulcer	MDS Item M1040B	Low	+1
Bone/Joint/Muscle Infections/Necrosis	MDS Item I8000	Low	+1
Highest Ulcer Stage is Stage 4	MDS Item M300D1	Low	+1
Osteomyelitis and Endocarditis	MDS Item I8000	Low	+1
Suctioning	MDS Item O0100D2	Low	+1
DVT/Pulmonary Embolism	MDS Item I8000	Low	+1



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Adjustment Factors-NTA PT/OT

- NTA Adjustment Factor

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



Medicare Payment Days	Adjustment Factor
1-14	1.00
15-17	0.99
18-20	0.98
21-23	0.97
24-26	0.96
27-29	0.95
30-32	0.94
33-35	0.93
36-38	0.92
39-41	0.91
42-44	0.90
45-47	0.89
48-50	0.88
51-53	0.87
54-56	0.86
57-59	0.85
60-62	0.84
63-65	0.83
66-68	0.82
69-71	0.81
72-74	0.80
75-77	0.79
78-80	0.78
81-83	0.77
84-86	0.76
87-89	0.75
90-92	0.74
93-95	0.73
96-98	0.72
99-100	0.71



MDS Schedule

Medicare MDS Assessment Schedule Type	Assessment Reference Date	Applicable Standard Medicare Payment Days
5-day Scheduled PPS Assessment	Days 1-8	All covered Part A days until Part A discharge (unless a Significant Change in Status assessment is completed)
Significant Change In Status Assessment (SCSA)	No later than 14 days after significant change is identified	ARD of the assessment through Part A discharge (unless another Significant Change in Status assessment is completed)
PPS Discharge Assessment	Equal to the End Date of the Most Recent Medicare Stay (A2400C)	N/A



Interrupted Stay Policy

- Discharge of less than 3 days will not require a new MDS, same RCS level will continue
- Payment will resume at prior RCS,(same SNF)
- Significant Change will take precedence and allow changes to RCS level
- Must meet same clinical criteria to perform SCSA
- Discharge to new provider will restart with 5-day



Interrupted Stay Policy

- Readmission to the same SNF after discharge 3 or more days, will require new 5-day MDS
- NTA is reset to initial adjustment factor (Day 1)



Administrative Presumption

- Similar to top 53 RUGs on 5-day MDS
- CMS considering using PT/OT functional score or co-morbidity score from NTA to determine which RCS levels will qualify
- Functional score of 14-18
- Co-morbidity score of 11+



Anticipated Change in RUG IV to RCS-1

% of Utilization Days Billed as RU		
0-10%	12.5%	28.4%
10-25%	9.8%	13.6%

Provider Characteristics	% of Providers	Percent Change
25-50%	25.5%	5.6%
50-75%	37.2%	-1.9%
75-90%	13.0%	-7.1%
90-100%	2.1%	-9.9%
% of Utilization Days Billed as Non-Rehabilitation		
0-10%	70.4%	-2.2%
10-25%	23.2%	6.3%
25-50%	4.6%	20.2%
50-75%	1.0%	45.6%
75-90%	0.2%	44.8%
90-100%	0.7%	38.4%

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Most Common Therapy Level		
RU	54.0%	-9.1%
RV	22.7%	9.3%
RH	7.7%	24.4%
RM	3.7%	36.9%
RL	0.1%	49.3%
Non-Rehabilitation	11.7%	44.5%
Number of Therapy Disciplines Used		
0	5.4%	20.0%
1	3.3%	37.3%
2	51.4%	1.6%
3	39.9%	-3.9%
Physical Therapy Utilization		
No	7.3%	24.2%
Yes	92.7%	-1.0%
Occupational Therapy Utilization		
No	8.6%	24.8%
Yes	91.4%	-1.2%
Speech Language Pathology Utilization		
No	58.4%	3.2%
Yes	41.6%	-3.1%
Therapy Utilization		
PT+OT+SLP	39.9%	-3.9%
PT+OT Only	50.4%	1.2%
PT+SLP Only	0.6%	22.9%
OT+SLP Only	0.5%	25.6%
PT Only	1.9%	34.9%
OT Only	0.7%	41.8%
SLP Only	0.7%	39.2%
Non-therapy	5.4%	20.0%
NTA Costs		
\$0-\$10	10.9%	-2.6%
\$10-\$50	44.1%	-3.2%
\$50-\$150	32.1%	3.5%
\$150+	9.4%	19.2%
Unknown	3.5%	3.3%

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Highest paying RCS

- Acute Neurological with both swallowing problem and mechanically altered diet
- Average of \$130.14 with CMI 4.19
- Total add-on for all 3 therapy disciplines
 - \$387/day which is higher than RUG IV at approximately \$249/day
- May want to utilize therapy provision in a similar way to managed care
 - We can afford to spend X amount based on reimbursement



What do I do next?

- Educate you teams! You can't adequately prepare without explaining what's coming next
- CMS was also considering adding **62 new items** to the MDS assessments taking an estimated additional 17 minutes
- Multiple new SNFQRP Measures affecting rates



Questions??

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