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**Medicare Skilled Nursing Facility Prospective Payment System Fiscal Year 2012**  
**Final Rule**

***HIGHLIGHTS***

**Introduction**

On July 29, 2011, the Centers for Medicare and Medicaid Services (CMS) released the [final rule](#) for the Skilled Nursing Facility Prospective Payment System (SNF PPS) for fiscal year (FY) 2012. The rule reduces payments to skilled nursing facilities for FY 2012 by \$3.87 billion which is 11.1 percent lower than payments received in FY 2011. This reduction is due to a recalibration of the case-mix indexes to account for increases in payment levels that were not anticipated by CMS after the revision of policies regarding RUG-IV.

In addition, the SNF PPS final rule finalizes CMS proposals regarding:

- allocation and definition of group therapy minutes
- implementation of the Change of Therapy (COT) OMRAs
- clarification of End of Therapy (EOT) OMRAs
- implementation of the EOT-Resumption of therapy (EOT-R) OMRA and;
- revisions to student supervision policies

**The provisions of the final rule are effective October 1, 2011.**

**Provisions of the Final Rule**

**SNF PPS FY 2012 Annual Payment Update**

- The FY 2012 market basket is 2.7 percent which is reduced by an 1 percent multi-factor productivity (MFP) adjustment.
- CMS finalizes a parity adjustment based on 8 months of FY 2011 claims data. The aggregate impact is in SNF payments for FY 2012 is \$4.47 billion which is offset by the market basket update of 1.7 percent or \$600 million.
- Net result of 11.1 percent reduction or \$3.87 billion reduction for FY 2012.
- For the wage index adjustment, CMS adopts a budget neutrality factor of 1.0007 for FY 2012.

**TABLE 2: FY 2012 Unadjusted Federal Rate Per Diem  
Urban**

Rate Component	Nursing - Case-Mix	Therapy - Case-Mix	Therapy - Non-Case-mix	Non-Case-Mix
Per Diem Amount	\$160.62	\$120.99	\$15.94	\$81.97

**TABLE 3: FY 2012 Unadjusted Federal Rate Per Diem  
Rural**

Rate Component	Nursing - Case-Mix	Therapy - Case-Mix	Therapy - Non-Case-mix	Non-Case-Mix
Per Diem Amount	\$153.46	\$139.51	\$17.02	\$83.49

**TABLE 4: RUG-IV Case-Mix Adjusted Federal Rates and  
Associated Indexes--URBAN**

RUG-IV Category	Nursing Index	Therapy Index	Nursing Component	Therapy Component	Non-Case Mix Therapy Component	Non-case Mix Component	Total Rate
RUX	2.67	1.87	\$428.86	\$226.25		\$81.97	\$737.08
RUL	2.57	1.87	\$412.79	\$226.25		\$81.97	\$721.01
RVX	2.61	1.28	\$419.22	\$154.87		\$81.97	\$656.06
RVL	2.19	1.28	\$351.76	\$154.87		\$81.97	\$588.60
RHX	2.55	0.85	\$409.58	\$102.84		\$81.97	\$594.39
RHL	2.15	0.85	\$345.33	\$102.84		\$81.97	\$530.14
RMX	2.47	0.55	\$396.73	\$66.54		\$81.97	\$545.24
RML	2.19	0.55	\$351.76	\$66.54		\$81.97	\$500.27
RLX	2.26	0.28	\$363.00	\$33.88		\$81.97	\$478.85
RUC	1.56	1.87	\$250.57	\$226.25		\$81.97	\$558.79
RUB	1.56	1.87	\$250.57	\$226.25		\$81.97	\$558.79
RUA	0.99	1.87	\$159.01	\$226.25		\$81.97	\$467.23
RVC	1.51	1.28	\$242.54	\$154.87		\$81.97	\$479.38
RVB	1.11	1.28	\$178.29	\$154.87		\$81.97	\$415.13
RVA	1.10	1.28	\$176.68	\$154.87		\$81.97	\$413.52
RHC	1.45	0.85	\$232.90	\$102.84		\$81.97	\$417.71
RHB	1.19	0.85	\$191.14	\$102.84		\$81.97	\$375.95
RHA	0.91	0.85	\$146.16	\$102.84		\$81.97	\$330.97
RMC	1.36	0.55	\$218.44	\$66.54		\$81.97	\$366.95
RMB	1.22	0.55	\$195.96	\$66.54		\$81.97	\$344.47
RMA	0.84	0.55	\$134.92	\$66.54		\$81.97	\$283.43
RLB	1.50	0.28	\$240.93	\$33.88		\$81.97	\$356.78
RLA	0.71	0.28	\$114.04	\$33.88		\$81.97	\$229.89

RUG-IV Category	Nursing Index	Therapy Index	Nursing Component	Therapy Component	Non-Case Mix Therapy Component	Non-case Mix Component	Total Rate
ES3	3.58		\$575.02		\$15.94	\$81.97	\$672.93
ES2	2.67		\$428.86		\$15.94	\$81.97	\$526.77
ES1	2.32		\$372.64		\$15.94	\$81.97	\$470.55
HE2	2.22		\$356.58		\$15.94	\$81.97	\$454.49
HE1	1.74		\$279.48		\$15.94	\$81.97	\$377.39
HD2	2.04		\$327.66		\$15.94	\$81.97	\$425.57
HD1	1.60		\$256.99		\$15.94	\$81.97	\$354.90
HC2	1.89		\$303.57		\$15.94	\$81.97	\$401.48
HC1	1.48		\$237.72		\$15.94	\$81.97	\$335.63
HB2	1.86		\$298.75		\$15.94	\$81.97	\$396.66
HB1	1.46		\$234.51		\$15.94	\$81.97	\$332.42
LE2	1.96		\$314.82		\$15.94	\$81.97	\$412.73
LE1	1.54		\$247.35		\$15.94	\$81.97	\$345.26
LD2	1.86		\$298.75		\$15.94	\$81.97	\$396.66
LD1	1.46		\$234.51		\$15.94	\$81.97	\$332.42
LC2	1.56		\$250.57		\$15.94	\$81.97	\$348.48
LC1	1.22		\$195.96		\$15.94	\$81.97	\$293.87
LB2	1.45		\$232.90		\$15.94	\$81.97	\$330.81
LB1	1.14		\$183.11		\$15.94	\$81.97	\$281.02
CE2	1.68		\$269.84		\$15.94	\$81.97	\$367.75
CE1	1.50		\$240.93		\$15.94	\$81.97	\$338.84
CD2	1.56		\$250.57		\$15.94	\$81.97	\$348.48
CD1	1.38		\$221.66		\$15.94	\$81.97	\$319.57
CC2	1.29		\$207.20		\$15.94	\$81.97	\$305.11
CC1	1.15		\$184.71		\$15.94	\$81.97	\$282.62
CB2	1.15		\$184.71		\$15.94	\$81.97	\$282.62
CB1	1.02		\$163.83		\$15.94	\$81.97	\$261.74
CA2	0.88		\$141.35		\$15.94	\$81.97	\$239.26
CA1	0.78		\$125.28		\$15.94	\$81.97	\$223.19
BB2	0.97		\$155.80		\$15.94	\$81.97	\$253.71
BB1	0.90		\$144.56		\$15.94	\$81.97	\$242.47
BA2	0.70		\$112.43		\$15.94	\$81.97	\$210.34
BA1	0.64		\$102.80		\$15.94	\$81.97	\$200.71
PE2	1.50		\$240.93		\$15.94	\$81.97	\$338.84
PE1	1.40		\$224.87		\$15.94	\$81.97	\$322.78
PD2	1.38		\$221.66		\$15.94	\$81.97	\$319.57
PD1	1.28		\$205.59		\$15.94	\$81.97	\$303.50
PC2	1.10		\$176.68		\$15.94	\$81.97	\$274.59
PC1	1.02		\$163.83		\$15.94	\$81.97	\$261.74
PB2	0.84		\$134.92		\$15.94	\$81.97	\$232.83
PB1	0.78		\$125.28		\$15.94	\$81.97	\$223.19
PA2	0.59		\$94.77		\$15.94	\$81.97	\$192.68

RUG-IV Category	Nursing Index	Therapy Index	Nursing Component	Therapy Component	Non-Case Mix Therapy Component	Non-case Mix Component	Total Rate
PA1	0.54		\$86.73		\$15.94	\$81.97	\$184.64

**TABLE 5: RUG-IV Case-Mix Adjusted Federal Rates and Associated Indexes--RURAL**

RUG-IV Category	Nursing Index	Therapy Index	Nursing Component	Therapy Component	Non-Case Mix Therapy Component	Non-case Mix Component	Total Rate
RUX	2.67	1.87	\$409.74	\$260.88		\$83.49	\$754.11
RUL	2.57	1.87	\$394.39	\$260.88		\$83.49	\$738.76
RVX	2.61	1.28	\$400.53	\$178.57		\$83.49	\$662.59
RVL	2.19	1.28	\$336.08	\$178.57		\$83.49	\$598.14
RHX	2.55	0.85	\$391.32	\$118.58		\$83.49	\$593.39
RHL	2.15	0.85	\$329.94	\$118.58		\$83.49	\$532.01
RMX	2.47	0.55	\$379.05	\$76.73		\$83.49	\$539.27
RML	2.19	0.55	\$336.08	\$76.73		\$83.49	\$496.30
RLX	2.26	0.28	\$346.82	\$39.06		\$83.49	\$469.37
RUC	1.56	1.87	\$239.40	\$260.88		\$83.49	\$583.77
RUB	1.56	1.87	\$239.40	\$260.88		\$83.49	\$583.77
RUA	0.99	1.87	\$151.93	\$260.88		\$83.49	\$496.30
RVC	1.51	1.28	\$231.72	\$178.57		\$83.49	\$493.78
RVB	1.11	1.28	\$170.34	\$178.57		\$83.49	\$432.40
RVA	1.10	1.28	\$168.81	\$178.57		\$83.49	\$430.87
RHC	1.45	0.85	\$222.52	\$118.58		\$83.49	\$424.59
RHB	1.19	0.85	\$182.62	\$118.58		\$83.49	\$384.69
RHA	0.91	0.85	\$139.65	\$118.58		\$83.49	\$341.72
RMC	1.36	0.55	\$208.71	\$76.73		\$83.49	\$368.93
RMB	1.22	0.55	\$187.22	\$76.73		\$83.49	\$347.44
RMA	0.84	0.55	\$128.91	\$76.73		\$83.49	\$289.13
RLB	1.50	0.28	\$230.19	\$39.06		\$83.49	\$352.74
RLA	0.71	0.28	\$108.96	\$39.06		\$83.49	\$231.51
ES3	3.58		\$549.39		\$17.02	\$83.49	\$649.90
ES2	2.67		\$409.74		\$17.02	\$83.49	\$510.25
ES1	2.32		\$356.03		\$17.02	\$83.49	\$456.54
HE2	2.22		\$340.68		\$17.02	\$83.49	\$441.19
HE1	1.74		\$267.02		\$17.02	\$83.49	\$367.53
HD2	2.04		\$313.06		\$17.02	\$83.49	\$413.57
HD1	1.60		\$245.54		\$17.02	\$83.49	\$346.05
HC2	1.89		\$290.04		\$17.02	\$83.49	\$390.55
HC1	1.48		\$227.12		\$17.02	\$83.49	\$327.63
HB2	1.86		\$285.44		\$17.02	\$83.49	\$385.95
HB1	1.46		\$224.05		\$17.02	\$83.49	\$324.56
LE2	1.96		\$300.78		\$17.02	\$83.49	\$401.29

RUG-IV Category	Nursing Index	Therapy Index	Nursing Component	Therapy Component	Non-Case Mix Therapy Component	Non-case Mix Component	Total Rate
LE1	1.54		\$236.33		\$17.02	\$83.49	\$336.84
LD2	1.86		\$285.44		\$17.02	\$83.49	\$385.95
LD1	1.46		\$224.05		\$17.02	\$83.49	\$324.56
LC2	1.56		\$239.40		\$17.02	\$83.49	\$339.91
LC1	1.22		\$187.22		\$17.02	\$83.49	\$287.73
LB2	1.45		\$222.52		\$17.02	\$83.49	\$323.03
LB1	1.14		\$174.94		\$17.02	\$83.49	\$275.45
CE2	1.68		\$257.81		\$17.02	\$83.49	\$358.32
CE1	1.50		\$230.19		\$17.02	\$83.49	\$330.70
CD2	1.56		\$239.40		\$17.02	\$83.49	\$339.91
CD1	1.38		\$211.77		\$17.02	\$83.49	\$312.28
CC2	1.29		\$197.96		\$17.02	\$83.49	\$298.47
CC1	1.15		\$176.48		\$17.02	\$83.49	\$276.99
CB2	1.15		\$176.48		\$17.02	\$83.49	\$276.99
CB1	1.02		\$156.53		\$17.02	\$83.49	\$257.04
CA2	0.88		\$135.04		\$17.02	\$83.49	\$235.55
CA1	0.78		\$119.70		\$17.02	\$83.49	\$220.21
BB2	0.97		\$148.86		\$17.02	\$83.49	\$249.37
BB1	0.90		\$138.11		\$17.02	\$83.49	\$238.62
BA2	0.70		\$107.42		\$17.02	\$83.49	\$207.93
BA1	0.64		\$98.21		\$17.02	\$83.49	\$198.72
PE2	1.50		\$230.19		\$17.02	\$83.49	\$330.70
PE1	1.40		\$214.84		\$17.02	\$83.49	\$315.35
PD2	1.38		\$211.77		\$17.02	\$83.49	\$312.28
PD1	1.28		\$196.43		\$17.02	\$83.49	\$296.94
PC2	1.10		\$168.81		\$17.02	\$83.49	\$269.32
PC1	1.02		\$156.53		\$17.02	\$83.49	\$257.04
PB2	0.84		\$128.91		\$17.02	\$83.49	\$229.42
PB1	0.78		\$119.70		\$17.02	\$83.49	\$220.21
PA2	0.59		\$90.54		\$17.02	\$83.49	\$191.05
PA1	0.54		\$82.87		\$17.02	\$83.49	\$183.38

### Therapy Student Supervision

- CMS discontinues policy of line of sight supervision requirement for therapy students.
- The time the student spends with the patient will continue to be billed as if the supervising therapist alone was providing the services.
- The student is treated as an extension of the therapist rather than being counted as an individual practitioner.
- Every student clinician should meet guidelines set forth by professional associations, state and local licensing boards and facilities – it is the authority of the supervising therapist to determine the appropriate level of supervision for the student.

### Group Therapy and Therapy Documentation

- CMS defines as therapy provided to four patients (regardless of payer) who are simultaneously performing the same or similar activities. And is supervised by a therapist (or assistant) who is not supervising any other individuals.

- CMS finalizes its policy of allocating group therapy minutes by dividing the total minutes by four, the number of participants in a group therapy session based on the new definition.
- CMS clarifies that the plan of care and supporting medical documentation should support the medical necessity for group therapy.
- SNFs will report the total unallocated group therapy minutes on the MDS 3.0. This total time will be allocated among the four group therapy participants to determine the appropriate number of reimbursable therapy minutes, as well as the appropriate RUG-IV therapy group and payment level.
- If a patient misses a therapy group session or is unexpectedly absent – CMS will continue to assume there are four patients and will divide the therapy minutes by four in allocating the group therapy minutes.

#### Changes to the MDS 3.0 Assessment Schedule and Other Medicare-Required Assessments

- CMS revises its policies by removing the distinction between the 5-day and 7-day facilities for purposes of setting the ARD for the EOT OMRA and requires that all facilities set the ARD for EOT OMRA by the third consecutive calendar day after a patient's therapy services have been discontinued.
- CMS finalizes its policy to permit providers the option to complete an EOT-R OMRA rather than optional SOT OMRA in cases where the therapy resumption date is no more than 5 consecutive calendar days following the last day of therapy provided and therapy services have resumed in at the same RUG-IV classification level that had been in effect prior to the EOT OMRA.
- CMS finalizes its policy to require facilities to complete a COT OMRA for patients classified into a RUG-IV therapy category, whenever the intensity of therapy changes to a degree that it would no longer reflect the RUG-IV classification and payment assigned for a given SNF resident based on the most recent assessment used for Medicare payment.
- The new RUG-IV would be billed that resulted from the COT OMRA starting the first day of the COT observation period for which the COT OMRA was completed.

#### Application of the SNF PPS to SNF Services Furnished by Swing Bed Hospitals

- All rates and wages discussed in the final rule apply to all non- critical access hospital swing rural hospitals.
- Non-CAH swing bed rural hospitals are required to complete an MDS 3.0 assessment which is limited to the required demographic, payment and quality items.

#### Value-Based Purchasing

- As required by the Affordable Care Act (ACA), CMS will be developing a plan to implement a value-based purchasing (VBP) program for SNFs, with a report due to Congress by October 1, 2011. This program will intend to tie payment to performance, reducing inappropriate or poorly provided care and identifying and rewarding those who provide effective and efficient patient care.

### Payment Adjustment for Hospital-Acquired Conditions

- The ACA requires CMS to conduct a study on ways to expand the hospital-acquired conditions (HAC) payment policy to various post-acute settings, including SNFs. CMS is directed to include the impact of expanding the HAC policy on patient care, safety, and overall payments. CMS is in the process of developing this study and will report the outcomes to Congress by January 1, 2012. As with VBP, CMS will seek stakeholder input.

### Required Disclosure of Ownership and Additional Disclosable Parties Information

- The ACA requires Medicare SNFs and Medicaid nursing facilities to make available certain information on ownership upon request by CMS. This includes a description of the governing body and organizational structure and information regarding additional disclosable parties. This disclosure will be necessary to maintain enrollment in Medicare and/or Medicaid.
- CMS proposed to add a definition for “additional disclosable parties”, “organizational structure” and “managing employee”.
- CMS does not finalize these proposals and states that the Agency will consider the comments received and issue a separate rulemaking.

### Prospective Payment for SNF Non-Therapy Ancillary (NTA) Costs

- NTA payments will be separated into two parts: routine NTA bundled payment and tiered non-routine NTA payment.
- The routine NTA bundled payment will consist of a base payment for every patient day to account for the wide range of services provided to SNF patient on a daily basis.
- The tiered NTA payment will track variations in NTA costs and utilization.