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# Program Memorandum Intermediaries

Department of Health and  
Human Services (DHHS)  
HEALTH CARE FINANCING  
ADMINISTRATION (HCFA)

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## CHANGE REQUEST 1510

**SUBJECT: Adjustments to the Federal Skilled Nursing Facility (SNF) Prospective Payment System (PPS) Rates for FY 2001**

This Program Memorandum (PM) is to inform you of changes to the SNF PPS as a result of the enactment of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (BIPA 2000). On July 31, 2000, the Health Care Financing Administration published a final rule in the *Federal Register* (64 FR 46770), detailing the schedule of SNF PPS Federal rates applicable for Medicare SNF payments in FY 2001. Several provisions of the BIPA 2000 have now modified the payment rates under this schedule for a portion of FY 2001. These provisions are described below.

### Elimination of Reduction in the SNF Market Basket Update in 2001

Section 311 of the BIPA 2000 modifies the schedule of Federal rates for SNFs applicable to services provided in FY 2001 by eliminating the one percent reduction in the market basket update amount for this period required under the Balanced Budget Act of 1997. In implementing this adjustment, the BIPA 2000 requires that for the first half of FY 2001 (the period beginning October 1, 2000, and ending March 31, 2001), the market basket shall remain at market basket minus one, and for the second half of the fiscal year (the period beginning on April 1, 2001, and ending on September 30, 2001), the market basket shall be changed from market basket minus one to market basket plus one (this increase would not be included when determining payment rates for the subsequent period).

### Increase in Nursing Component of PPS Federal Rate

Section 312 of the BIPA 2000 provides for a temporary increase in the nursing component of the Federal rates under the SNF PPS by 16.66 percent for SNF care furnished after April 1, 2001, and before October 1, 2002. This 16.66 percent increase is applied to the nursing component of the case-mix adjusted Federal rate specified in the July 31, 2000 final rule (64 FR 46770), tables four and five.

### Adjustment of Rehabilitation Resource Utilization Groups (RUGS) to Correct Anomaly in Payment Rates

The Balanced Budget Refinement Act of 1999 established a 20 percent add-on to the adjusted Federal rates for 15 specific RUGs. These specific RUGs included three associated with patients that receive rehabilitation therapy services (RHC, RMC, and RMB), as specified in the July 31, 2000, *Federal Register* notice. Effective for services furnished from April 1, 2001, until the date that

certain refinements are implemented, §314 of BIPA 2000 requires the Secretary to eliminate the 20 percent adjustment to these 3 rehabilitation related RUGs and increase by 6.7 percent the adjusted Federal per diem rates for all RUGs associated with rehabilitation services. Accordingly, the 6.7 percent adjustment applies to the following RUGs: RUC, RUB, RUA, RVC, RVB, RVA, RHC, RHB, RHA, RMC, RMB, RMA, RLB, and RLA.

### **Revised Pricer**

The three provisions described above are effective for SNF services provided on or after April 1, 2001. A revised SNF PRICER software package will be released prior to April 1, 2001, which will contain updated Federal payment rates reflecting these three BIPA 2000 provisions.

**The effective date for this PM is April 1, 2001.**

**The implementation date for this PM is April 1, 2001.**

**These instructions should be implemented within your current operating budget.**

**This PM may be discarded after September 30, 2001.**

**If you have any questions concerning these three provisions, contact Susan Burris, (410) 786-6655. For information concerning SNF Pricer software, contact Stuart Barranco, (410) 786-6152.**