

CMS Manual System

Pub 100-04 Medicare Claims Processing

Transmittal 540

Department of Health & Human Services

Center for Medicare and
&
Medicaid Services

Date: APRIL 29, 2005

Change Request 3774

SUBJECT: Addition to Chapter 6 of the Claims Processing Manual - Skilled Nursing Facility (SNF) Inpatient Part A Billing: SNF Prospective Payment System (PPS) Pricer Software

I. SUMMARY OF CHANGES: This instruction manualizes the SNF Pricer program logic used to calculate SNF and Swing Bed (SB) PPS claims.

NEW/REVISED MATERIAL :

EFFECTIVE DATE : April 29, 2005

IMPLEMENTATION DATE : August 1, 2005

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)

R = REVISED, N = NEW, D = DELETED – *Only One Per Row.*

R/N/D	Chapter / Section / SubSection / Title
R	6/Table of Contents
R	6/30.6/SNF PPS Pricer Software
N	6/30.6.1/Input/Output Record Layout
N	6/30.6.2/SNF PPS Rate Components
N	6/30.6.3/Decision Logic Used by the Pricer on Claims
N	6/30.7/Annual Updates to the SNF Pricer

III. FUNDING:

No additional funding will be provided by CMS; Contractor activities are to be carried out within their FY 2005 operating budgets.

IV. ATTACHMENTS:

Business Requirements

Manual Instruction

**Unless otherwise specified, the effective date is the date of service.*

Attachment - Business Requirements

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SUBJECT: Addition to Chapter 6 of the Claims Processing Manual - Skilled Nursing Facility (SNF) Inpatient Part A Billing: SNF Prospective Payment System Pricer Software

I. GENERAL INFORMATION

A. Background: The CMS has previously developed a SNF Pricer Program that calculates the Medicare payment rate. CMS provides a Pricer program to determine the price upon which to base payment under prospective payment. The Pricer is available electronically to the Shared Systems and is updated at least annually. A PC version of the SNF Pricer Program can be found at: <http://www.cms.hhs.gov/providers/pricer/default.asp>? This instruction manualizes SNF Pricer logic used to calculate SNF and Swing Bed (SB) PPS claims.

B. Policy: The Balanced Budget Act (BBA) of 1997 (Public Law 105-33) mandated the implementation of a per diem prospective payment system (PPS) for skilled nursing facilities (SNFs), covering all costs (routine, ancillary, and capital) of covered SNF services furnished to beneficiaries under Part A of the Medicare program, effective for cost reporting periods beginning on or after July 1, 1998.

II. BUSINESS REQUIREMENTS

"Shall" denotes a mandatory requirement

"Should" denotes an optional requirement

Requirement Number	Requirements	Responsibility ("X" indicates the columns that apply)							
		F I	R H I	C a r r i e r	D M E R C	Shared System Maintainers			
					F I S S	M C S	V M S	C W F	
3774.1	Effective for cost reporting periods beginning on or after July 1, 1998, all skilled nursing services billed on a 21x bill type shall be reimbursed based on calculations made by the SNF Pricer.	X							
3774.2	Effective for cost reporting periods beginning on or after July 1, 2002, all swing bed facility claims billed on a 18x bill type shall be reimbursed based on calculations made by the SNF Pricer.	X							

Requirement Number	Requirements	Responsibility (“X” indicates the columns that apply)							
		F I	R H I	C a r r i e r	D M E R C	Shared System Maintainers			
F I S S	M C S					V M S	C W F		
3774.3	FIs shall notify SNF/SB providers on the SNF Pricer logic sections added to the Medicare Claims Processing Manual 100-04, Chapter 6, §30.6-30.7	X							

III. PROVIDER EDUCATION

Requirement Number	Requirements	Responsibility (“X” indicates the columns that apply)							
		F I	R H I	C a r r i e r	D M E R C	Shared System Maintainers			
F I S S	M C S					V M S	C W F		
3774.4	A provider education article related to this instruction will be available at www.cms.hhs.gov/medlearn/matters shortly after the CR is released. You will receive notification of the article release via the established "medlearn matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within 1 week of the availability of the provider education article. In addition, the provider education article shall be included in your next regularly scheduled bulletin and incorporated into any educational events on this topic. Contractors are free to supplement Medlearn	X							

Requirement Number	Requirements	Responsibility (“X” indicates the columns that apply)							
		F I	R H I	C a r r i e r	D M E R C	Shared System Maintainers			
F I S S	M C S					V M S	C W F		
	Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.								

IV. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

A. Other Instructions: N/A

X-Ref Requirement #	Instructions

B. Design Considerations: N/A

X-Ref Requirement #	Recommendation for Medicare System Requirements

C. Interfaces: N/A

D. Contractor Financial Reporting /Workload Impact: N/A

E. Dependencies: N/A

F. Testing Considerations: N/A

V. SCHEDULE, CONTACTS, AND FUNDING

<p>Effective Date*: April 29, 2005</p> <p>Implementation Date: August 1, 2005</p> <p>Pre-Implementation Contact(s): Jason Kerr (410) 786-2123, JKerr3@cms.hhs.gov ; Yvonne Young (410) 786-1886, YYoung@cms.hhs.gov .</p> <p>Post-Implementation Contact(s): Appropriate Regional Office</p>	<p>No additional funding will be provided by CMS; Contractor activities are to be carried out within their FY 2005 operating budgets.</p>
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Medicare Claims Processing Manual

Chapter 6 - SNF Inpatient Part A Billing

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- 30.6.2 – SNF PPS Rate Components*
- 30.6.3 – Decision Logic Used by the Pricer on Claims*
- 30.7 – Annual Updates to the SNF Pricer*

30.6 – SNF PPS Pricer Software

(Rev. 540, Issued: 04-29-05, Effective: 04-29-05, Implementation: 08-01-05)

The Balanced Budget Act (BBA) of 1997 (Public Law 105-33) mandated the implementation of a per diem prospective payment system (PPS) for skilled nursing facilities (SNFs), covering all costs (routine, ancillary, and capital) of covered SNF services furnished to beneficiaries under Part A of the Medicare program.

Effective for cost reporting periods beginning on or after July 1, 1998, all skilled nursing services billed on TOB 21x will be paid based on calculations made by the SNF Pricer. The SNF Pricer operates as a module within CMS' claims processing systems. The SNF Pricer makes all payment calculations applicable under SNF PPS. Medicare claims processing systems must send an input record for each HIPPS code reported on the claim to Pricer and Pricer will return an output record to the shared systems. The Pricer is available electronically to the shared systems and is updated at least annually. A PC version of the SNF Pricer Program can be found at: <http://www.cms.hhs.gov/providers/pricer/default.asp?>

The following describes the elements of SNF PPS claims that are used in the SNF PPS Pricer and the logic that is used to make payment determinations. No part of the Pricer logic is required to be incorporated into a SNF's billing system in order to bill Medicare. The following is presented for FIs and as information for the SNFs, in order to help SNFs understand their SNF PPS payments and how they are determined.

30.6.1 - Input/Output Record Layout

(Rev. 540, Issued: 04-29-05, Effective: 04-29-05, Implementation: 08-01-05)

The SNF Pricer input/output file will be 125 bytes in length. The required data and format are shown below.

<i>File</i>			
<i>Position</i>	<i>Format</i>	<i>Title</i>	<i>Description</i>
<i>1-4</i>	<i>X(4)</i>	<i>MSA</i>	<i>Input item: The metropolitan statistical area (MSA) code. Medicare claims processing systems pull this code from field 13 of the provider specific file.</i>
<i>5-9</i>	<i>X(5)</i>	<i>CBSA</i>	<i>Core-Based Statistical Area</i>
<i>10</i>	<i>X</i>	<i>SPEC-WI-IND</i>	<i>Special Wage Index Indicator Valid Values: Y (yes) or N (no)</i>
<i>11-16</i>	<i>X(6)</i>	<i>SPEC-WI</i>	<i>Special Wage Index</i>

17-21	X(5)	HIPPS-CODE	Input Item: Health Insurance Prospective Payment System Code – Medicare claims processing systems must copy the HIPPS code reported by the provider on each 0022 revenue code line																				
22-29	9(8)	THRU-DATE	Input item: The statement covers period “through” date, copied from FL 6 of the claim form. Date format must be CCYYMMDD.																				
30	X	SNF-FED-BLEND	Input item: Code for the blend ratio between federal and facility rates. For SNFs on PPS effective for cost reporting periods beginning on or after 7/1/98. Medicare claims processing systems pull this code from field 19 of the provider specific file. Transition Codes: <table style="margin-left: 40px;"> <thead> <tr> <th></th> <th>Facility %</th> <th>Federal %</th> <th></th> </tr> </thead> <tbody> <tr> <td>1</td> <td>75</td> <td>25</td> <td>(1st year)</td> </tr> <tr> <td>2</td> <td>50</td> <td>50</td> <td>(2nd year)</td> </tr> <tr> <td>3</td> <td>25</td> <td>75</td> <td>(3rd year)</td> </tr> <tr> <td>4</td> <td>0</td> <td>100</td> <td>(full fed rate)</td> </tr> </tbody> </table> NOTE: All facilities have been paid at the full federal rate since FY 2002.		Facility %	Federal %		1	75	25	(1 st year)	2	50	50	(2 nd year)	3	25	75	(3 rd year)	4	0	100	(full fed rate)
	Facility %	Federal %																					
1	75	25	(1 st year)																				
2	50	50	(2 nd year)																				
3	25	75	(3 rd year)																				
4	0	100	(full fed rate)																				
31-37	9(05)V9(02)	SNF-FACILITY RATE	Input item: Rate based on each SNF’s historical costs (from intermediary audited cost reports) including exception payments. NOTE: All facilities have been paid at the full federal rate since FY 2002.																				
38-43	X(6)	SNF-PRIN-DIAG-CODE	Input item: The principle diagnosis code, copied from FL 67 of the claim form. Must be four or five positions left justified with no decimal points.																				
44-49	X(6)	SNF-OTHER-DIAG-CODE2	Input item: Additional Diagnosis Code, copied from FL 68 if present, must be four or five positions left justified with no decimal points.																				
50-91	Defined above	Additional Diagnosis data	Input item: Up to seven additional diagnosis codes accepted from claim. Copied from FLs 69-75. Must be four or five positions left justified with no decimal points.																				
92-99	9(06)V9(02)	SNF-PAYMENT RATE	Output item: Calculated per diem amount received by the SNF that																				

			<i>includes a base payment amount adjusted for local wages and the clinical characteristics of individual patients.</i>
<i>100-101</i>	<i>9(2)</i>	<i>SNF-RTC</i>	<i>Output item: A return code set by Pricer to define the payment circumstances of the claim or an error in input data.</i> <i>Payment return code:</i> <i>00 RUG III group rate returned</i> <i>Error return codes:</i> <i>20 Bad RUG code</i> <i>30 Bad MSA code</i> <i>40 Thru date < July 1,1998 or Invalid</i> <i>50 Invalid federal blend for that Year</i> <i>60 Invalid federal blend</i> <i>61 Federal blend = 0 and SNF Thru date < January 1, 2000</i>
<i>102-125</i>	<i>X(24)</i>	<i>FILLER</i>	<i>Blank</i>

Input records on claims must include all input items. Output records will contain all input and output items.

The Medicare claims processing systems will move the following Pricer output items to the claim record. The return code will be placed in the claim header. The SNF-PAYMENT-RATE amount for each HIPPS code will be placed in the rate field of the appropriate revenue code 0022 line. The Medicare claims processing systems will multiply the rate on each 0022 line by the number of units that correspond to each line. The system will sum all 0022 lines and place this amount in the “Provider Reimbursement” field minus any coinsurance due from the patient. For claims with dates of service on or after July 1, 2002, Pricer will compute payment only where the SNF-RTC is 00.

30.6.2 – SNF PPS Rate Components

(Rev. 540, Issued: 04-29-05, Effective: 04-29-05, Implementation: 08-01-05)

The SNF PPS rate for each RUG-III group consists of 3 components: a nursing component, a therapy component and a non-case-mix adjusted component. The following describes the rate components used for SNF PPS:

- *The nursing per diem amount is a standard amount which includes direct nursing care and the cost of non-therapy ancillary services required by Medicare beneficiaries.*
- *The nursing index is based on the amount of staff time, weighted by salary levels, associated with each RUG-III group. This index represents the amount of nursing time associated with caring for beneficiaries who qualify for the group.*

The nursing per diem amount is case-mix adjusted by applying the nursing index. The result is the nursing component for that RUG-III group.

- *The therapy per diem amount is a standard amount which includes physical, occupational, and speech-language therapy services provided to beneficiaries in a Part A stay. Payment varies based on the actual therapy resource minutes received by the beneficiary and reported on the MDS;*
- *The therapy index is based on the amount of staff time, weighted by salary levels, associated with each RUG-III group. This index represents the amount of rehabilitation treatment time associated with caring for beneficiaries who qualify for the group.*

If the RUG-III group is in the Rehabilitation category, the therapy per diem amount is case-mix adjusted by applying the therapy index. The result is the therapy component for that Rehabilitation RUG-III group.

- *The non-case-mix therapy component is a standard amount to cover the cost of therapy assessments of beneficiaries who were determined not to need continued therapy services.*

If the RUG-III group is not in the Rehabilitation category, this payment is added to the rate as therapy component for that RUG-III group.

- *The non-case-mix component is also a standard amount added to the rate for each RUG-III group to cover administrative and capital-related costs.*

This standard amount is added to all RUG-III groups.

30.6.3 - Decision Logic Used by the Pricer on Claims

(Rev. 540, Issued: 04-29-05, Effective: 04-29-05, Implementation: 08-01-05)

The SNF Pricer shall calculate the rate for each line item with revenue code 0022 on a SNF claim. The SNF Pricer shall determine the rate using the following information:

- “HIPPS-CODE” on line item 0022;
- “MSA” to determine if provider is rural or urban;
- Per diem amounts defined within the Pricers as types of rate based on the statement covers “THRU-DATE”:
 Inpatient rate = Nursing case mix component
 General service rate = Non-case-mix component
 Therapy rate = Therapy non-case mix component
 Rehabilitation rate = Therapy case-mix component
- Labor and non labor percentages based on the statement covers “THRU-DATE”;
- Wage index, “SNF-FED BLEND” year, and “SNF-FACILITY RATE” based on the statement covers “THRU_DATE”
- Rate adjustments applicable to the specific RUG III code;
- Nursing index based on the RUG III code;
- Therapy index based on the rehabilitation RUG III code;

On input records with TOB 21x (that is, all provider submitted claims and provider or FI initiated adjustments), Pricer will perform the following calculations in numbered order for each RUG III code:

- (1) *Multiply the applicable urban or rural inpatient rate depending on MSA by the nursing index;*
- (2) *Multiply the applicable urban or rural rehab rate by the therapy index, add to (1);*
- (3) *For the top 14 RUG-III categories, add the general service rate to the sum of (1) and (2) for the (non-wage-adjusted) total PPS rate and proceed to step (4); **OR** for the lower 30 RUG-III categories, add the general service rate to the therapy rate to the sum of (1) and (2) for the (non-wage-adjusted) total PPS rate and proceed to step (4);*
- (4) *Multiply the sum of (3) by the labor percentage then multiply the product by the applicable wage index;*
- (5) *Multiply the sum of (3) by the non-labor percentage;*
- (6) *Add the product of (5) to the non-labor product in (4) for the (wage-adjusted) total PPS rate.*

Conditional Steps completed if applicable after (6):

- (6a) *If diagnosis code 042 is present, multiply (6) by 2.28 and proceed to (7)– Effective October 1, 2004, for the FY 2005 Pricer, this represents the 128% AIDS adjustment implemented with Section 511 of the MMA. **Note:** If diagnosis code 042 is present, (6b) and (6c) steps are bypassed.*

(6b) If the RUG-III code reported is one of the following, multiply (6) by 1.067: RUC, RUB, RUA, RVC, RVB, RVA, RHC, RHB, RHA, RMC, RMB, RMA, RLB, or RLA – Effective April 1, 2001 for the FY 2001A Pricer, this amount represents the 6.67% adjustment implemented by §314 of BIPA 2000 or;

(6c) If RUG-III code reported is one of the following, multiply (6) by 1.20: SE3, SE2, SE1, SSC, SSB, SSA, CC2, CC1, CB2, CB1, CA2 or CA1 – Effective October 1, 2000, for the FY 2000 Pricer, this amount represents the 20% adjustment effective with the BBRA of 1999.

30.7 – Annual Updates to the SNF Pricer

(Rev. 540, Issued: 04-29-05, Effective: 04-29-05, Implementation: 08-01-05)

*Rate and weight information used by the SNF Pricer is updated periodically, usually annually. Updates occur each October, to reflect the fact that SNF PPS rates are effective for a Federal fiscal year. Updates may also occur at other points in the year when required by legislation. The following update items, when changed, are published in the “**Federal Register**.”*

- Four components of the unadjusted Federal rates for both Rural and Urban areas. Components include the nursing case-mix, non-case mix, therapy case-mix, and therapy non-case-mix amounts.*
- A table of nursing and therapy indices to be used for each RUG;*
- The applicable wage index;*
- Changes, if any, to the labor and non-labor percentages.*

Whenever these update items change, Medicare also publishes a Recurring Update Notification to inform providers and contractors about the changes. These Recurring Update Notifications also describe how the changes will be implemented through the SNF Pricer.