



POLARIS PULSE

A Bi-monthly Informational Bulletin Brought To You By Polaris Group

RUG Refinements Posed to Significantly Impact Your 2006 Budget

Medicare payments to nursing homes will increase by \$20 million in 2006, an improvement over earlier forecasts that predicted no increase for long-term care providers next year.

The most significant policy change implements a refinement to the current Resource Utilization Groups, version III (RUG-III) case-mix classification system.

The FY 2006 Final Rule includes:

- ◆ Expanding the number of RUGs from 44 to 53 to account for the higher costs of beneficiaries requiring both rehabilitation and certain high intensity medical services.
- RUX = Rehabilitation Ultra High plus Extensive Services, High
ADL Score 16 - 18
- RUL = Rehabilitation Ultra High plus Extensive Services, Low
ADL Score 7 - 15
- RVX = Rehabilitation Very High plus Extensive Services, High
ADL Score 16 - 18
- RVL = Rehabilitation Very High plus Extensive Services, Low
ADL Score 7 - 15
- RHX = Rehabilitation High plus Extensive Services, High
ADL Score 13 - 18
- RHL = Rehabilitation High plus Extensive Services, Low
ADL Score 7-12
- RMX = Rehabilitation Medium plus Extensive Services, High
ADL Score 15 - 18
- RML = Rehabilitation Medium plus Extensive Services, Low
ADL Score 7 - 14
- RLX = Rehabilitation Low plus Extensive Services
ADL Score 7 - 18
- ◆ Increasing the nursing case mix indices of all 53 RUG groups to reflect the high level of variability in non-therapy ancillary costs.
 - This adjustment is made to the nursing indices and the non-therapy ancillary costs.
 - Result in increase in aggregate payments under the SNF PPS.
 - Payment adjustment will be incorporated into the RUG-III system on a permanent basis.
 - The relative weight increase is 8.51%, which amounts to a 4 percent annualized increase in aggregate spending.
 - For FY 2006, the increase associated with this refinement will be in effect for 9 months, resulting in a 3 percent increase in aggregate spending.
- ◆ The RUG refinements will be implemented January 1, 2006 and will trigger the elimination of the BBRA add-on payments.
 - The add-on payments established by the Balanced Budget Refinement Act (BBRA) of 1999 will stay in effect for the first quarter of FY 2006.
 - The aggregate annual value of the temporary add-on payments is \$1.4 billion.

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- For the first quarter, the aggregate amount of the add-on payments is approximately \$350 million.
 - For the remaining nine months of FY 2006, payments will be made under the new policy.
 - ◆ For the entire FY 2006 rate year, payments to SNFs will be approximately \$20 million higher than the FY 2005 levels.
 - The introduction of the refinements offsets approximately 50 percent of the add-on payments that are being eliminated.
 - The FY 2006 rates will be updated by a market basket increase of 3.1 percent.
 - ◆ The 128 percent adjustment for SNF residents with AIDS that was enacted in the Medicare Modernization Act of 2003 (MMA) will be continued for FY 2006. This is not a permanent add-on.
 - ◆ The rule incorporates Office of Management and Budget's revised definitions for Metropolitan Statistical Areas (MSA), and its new definitions of Metropolitan Statistical Areas and Combined Statistical Areas.
 - The Core Based Statistical Area (CBSA) designations replace the MSA designations that have been used since the inception of the SNF PPS.
 - The adoption of the CBSA designations follows the procedures adopted by the Inpatient Hospital PPS (IPPS).
 - Wage index changes are distributional, some providers will be disadvantaged by the conversion.
 - Includes a one year transition policy that:
 - Provides relief for those SNFs who will get a wage index decrease in FY 2006.
 - Minimizes the rate fluctuations for the majority of the SNFs that will have either a FY 2006 increase or will retain the same wage index.
 - The transition will provide for a blend of the FY 2006 MSA-based and CBSA-based wage indices; 50 percent MSA/50 percent CBSA blended rate.
 - The blended rate will be used for all SNF providers for FY 2006.
 - The full CBSA wage index will be used starting with the FY 2007 rate year.
- How will the New RUGs impact Billing / Reimbursement?**
- The RUG Refinements may result in two separate RUGs for assessments with an Assessment Reference Date (ARD) from November 22, 2005 through January 13, 2006. UB92 billing will be based on Date of Service:
- ◆ For days of service before January 1, 2006 the 44-group RUG would be recorded on the UB92 claim.
 - ◆ For days of service beginning on January 1, 2006 the 53-group RUG would be recorded on the UB92 claim.
 - ◆ For assessments with an ARD from November 22, 2005 through January 13, 2006.
 - The MDS may be transmitted with either the 44- group or the 53-group RUG.
 - ◆ The State system "Final Validation Report" will list both the 44-Group RUG and the 53-Group RUG for SNF PPS assessments with an ARD from November 22, 2005 through January 13, 2006.
 - A 60-day SNF PPS MDS may be completed as early as day 50 of the beneficiary's SNF Part A stay.
 - If the resident's 50th day of the stay is November 22, 2005 and the provider chooses this date as the ARD for the 60-day PPS MDS.
 - The 44-group RUG would be billed from day 61 (December 3, 2005) to day 89 (December 31, 2005).
 - The 53-group RUG would be billed for day 90 (January 1, 2006).
 - ◆ Assessments with ARDs before November 22, 2005
 - Only the 44-group RUG is appropriate for billing.
 - The "Final Validation Report" will only report the 44-group RUG on the assessment.
 - ◆ Assessments with ARDs after January 13, 2006.
 - Only the 53-group RUG is appropriate

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for billing.

- o The “Final Validation Report” will only report the 53-group RUG on the assessment.

- ◆ **Correction Assessments** will be processed in the same manner.

PROPOSED RULE CHANGES NOT ADOPTED IN THE FINAL RULE:

- ◆ **Changes to MDS Coding Requirements**
 - Decreasing the length of the Look Back Period to restrict coding of high intensity services (IVs, IV Medications, etc.) to those actually received in the SNF.
 - Decreasing or eliminating the Grace Periods associated with PPS Assessments, specifically with reference to the 5-day MDS.
 - Eliminating the projection of anticipated therapy services during the 5-day MDS.
 - Although the above changes were not adopted in the Final Rule, CMS did not rule out changes to the RAI user’s manual at some point in the future.
- ◆ **Inclusion of Observation room stays in the 3-day hospital stay requirement.**
 - CMS noted that such action would require legislation by the Congress to amend the law, thus, this change is beyond the scope of the Final Rule.
- ◆ **Ongoing Initiatives**
 - CMS continues to pursue a SNF Pay for Performance model for fostering quality of care.
 - CMS intends to address concurrent and group therapy utilization patterns during study scheduled to begin later in CY 2005.

The RUG refinements are expected to be positive for the Nursing Home Industry; however, the changes complicate the FY 2006 budget process.

POLARIS GROUP is prepared TODAY to assist you in determining the impact of the refinements on your operations.

For details please call 1-800-275-6252.

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Topic	Date
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New SNF PPS Rules	9/13
QM/QI Review—New and Old	9/15
Sections K and P	9/20
Survey Preparation & Management	9/22
Part D—New Pharmacy Drug Benefit	9/29

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