RI NURSING FACILITIES CAN PREPARE FOR PPS

By Herbert P. Weiss, N.H.A.

For more than 30 years the Health Care Financing Administration has used a cost-based payment system to pay for skilled nursing care provided to Medicare beneficiaries. With the enactment of The Balanced Budget Act of 1997, nursing facility providers will be reimbursed through a prospective payment system (PPS).

Payment under PPS begins on July 1, 1998 for those nursing facilities whose cost reporting period begins on that date. Other facilities will be phased into PPS as their cost reporting period dates begin. PPS payments will be based on a per diem rate tied to the RUGS III case-mix index, reflecting the level of care and services that skilled nursing facility (SNF) patients receive.

"While the SNFs were theoretically responsible under OBRA '87 for the whole patient, a key change in the new federal budget law makes the facility actually more responsible," Tom Hoyer, HCFA's Director of the Chronic Care Purchasing Policy Group told *The RIAFSA Reporter*. Now SNFs are completely responsible for providing all services, billing Medicare for them, and under the Conditions of Participation completely responsible for the quality of care provided, he added.

> "Assess your patients accurately, code your bills properly and pay attention to the bundled services and make sure you are buying your services efficiently."

As PPS looms in the horizon "Many administrators fear the unknown", Hoyer stated. "Some believe that PPS will give them a lot less money, others that they will receive higher payments, and still others fear that complying with new payment requirements will be difficult," he added.

Hoyer's advice to RIAFSA Members: "Get into the right mind set." PPS will give out all of the Medicare monies that have been allocated for SNFs by Congress in a "fundamentally equitable way." More important, tying payments to case-mix is not new and has been used successfully in a number of Medicaid programs. "It is a reliable technology and you can expect it to work properly," he added.

MDS Linked to PPS Payments

According to Hoyer, under the new PPS system, for payment purposes, SNFs will classify each patient's case-mix by using MDS documentation. When billing under PPS, the facility tells HCFA what utilization group to pay. Hoyer stated that MDS clinical data provided to HCFA by state agencies will allow it to compare the actual MDS assessments to the submitted bills.

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Note: Next year, Rhode Island facilities will be required to begin electronically transmitting MDS clinical data, via computer, to the Health Department *(see MDS article, page 4).*

"If a bill is not accurate we will adjust. If there are lots of mistakes, we will become suspicious," Hoyer quipped. "We're not going to go into audits with a gotcha mentality but with a quality control mentality."

Another major change in the way RI nursing facilities do business is the mandate for consolidated billing, Hoyer said. Under the federal budget law, suppliers will no longer be allowed to bill Medicare Part B for services or supplies provided to SNF patients. Facilities will now be responsible for Medicare billing (except for physician and physician-related services)

To prepare for this requirement, Rhode Island administrators can either hire new staff or train existing personnel to use appropriate fee schedules and codes when billing Medicare. Or a facility may choose to contract with an outside billing service.

Consolidated billing will help HCFA combat overpayment for therapy services and overutilization of medical supplies, Hoyer predicted.

Another provision of the Federal budget law changes the way Medicare pays for Part B Rehabilitation therapies (e.g., physical, occupational, and speech therapies), Hoyer stated. He noted that beginning in 1999, payment of therapies provided in SNFs will be based on a fee schedule. "This will encourage SNFs to make more efficient and prudent buying decisions with respect to therapies," he predicted.

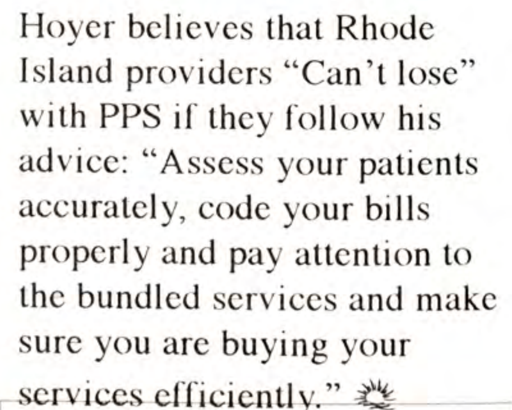
Slow Phase-in

PPS will be phased in over a four year period, giving facilities a little cushion to adjust to the changes, Hoyer noted. For the first year facilities will be paid 75 percent of their specific historical costs and 25 percent of the newly established national rate. In the second year specific historical costs decrease to 50 percent, with 50 percent of the payment derived from the PPS rate. By the final year 100 percent of the payment is based on the national rate.

Look for PPS to be incrementally improved every year. "Like hospital PPS, there will be an annual regulation to update payment amounts and that regulation will be an annual vehicle for improvement and changes," he said.

A Final Note...

Hoyer believes that Rhode Island providers "Can't lose" with PPS if they follow his advice: "Assess your patients accurately, code your bills properly and pay attention to the bundled services and make sure you are buying your services efficiently."



See "Provisions in Federal Balanced Budget Act of 1997 of interest to Rhode Island Long-Term Care Providers" on page 11.

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