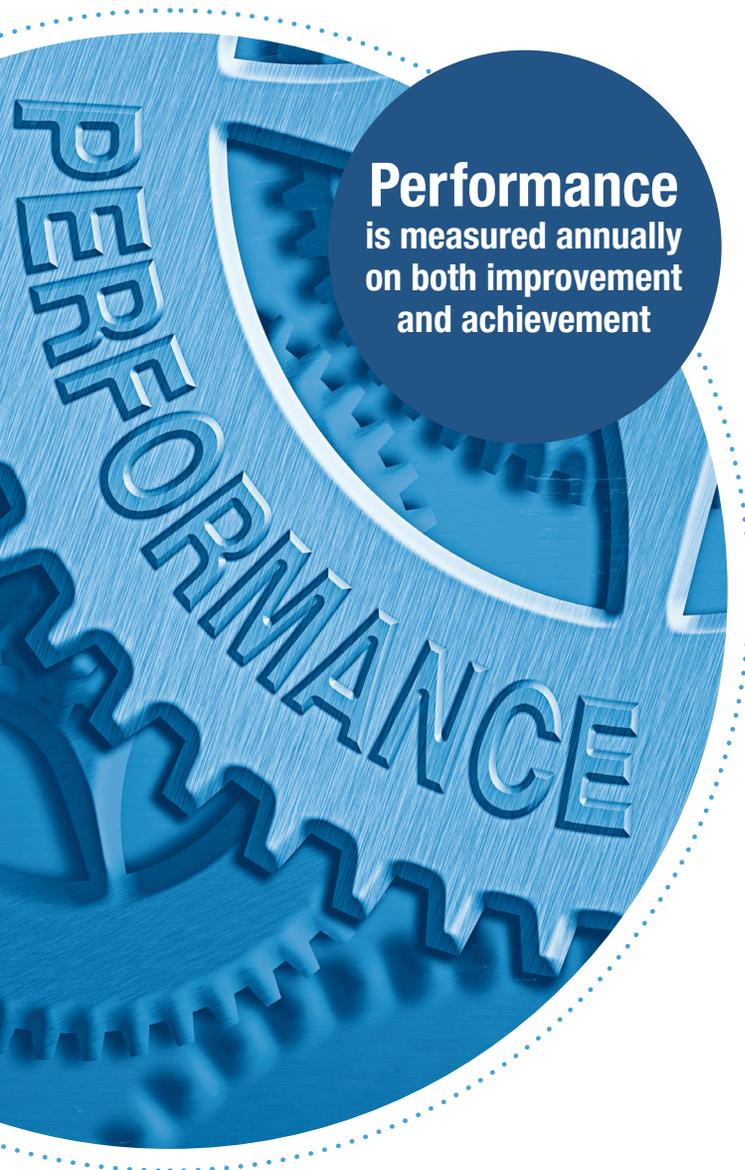
A close-up photograph of a person's hand typing on a laptop keyboard. The hand is holding a lit cigarette between the fingers. The background is blurred, showing a desk with papers and a pie chart.

Value-Based Payment and the Incentive Payment Multiplier

The numbers are out, but what do they mean
for your reimbursement?



Performance
is measured annually
on both improvement
and achievement

A paradigm shift focusing on value

Challenged to manage costs in senior care, the Centers for Medicare & Medicaid Services (CMS) launched a Value-Based Purchasing (VBP) program in October 2018, focused on skilled nursing facilities (SNF). Essentially this initiative represented a major shift from traditional volume-based reimbursements to payments directly linked to performance on cost, quality, and the patient's experience of care.

The initial focus of the program is on reducing hospital readmissions. Centered around a 30-day window, financial penalties are imposed on SNFs with high return-to-hospital rates while those performing well by this measure are financially rewarded.

Performance is measured annually on both improvement and achievement:

- **SNFs are given a *Performance Improvement score*** based on their individual performance during the period, as compared to their baseline period rate
- **They also receive a *Performance Achievement score*** based on their rate compared to the national performance rate
- **The higher of the two scores** is the SNF's overall *Performance Score*

As required by the statute, CMS withholds 2% of SNFs' fee-for-service (FFS) Part A Medicare payments to fund the program. This 2% is referred to as the "withhold" and then CMS is required to redistribute between 50% and 70% of this withhold to SNFs as incentive payments.

To monitor their progress before their Annual Performance Score is issued, SNFs receive confidential quarterly reports containing information on their performance.

The Incentive Payment Multiplier – What this means to providers

Every year, CMS issues a database containing specific performance information for the previous year, including whether SNFs are eligible for any portion of the 2% withhold of their Medicare fee for service revenue. Roughly 60% of the withheld dollars are redistributed to SNFs who achieve a lower readmission rate than their peers or improve upon their own performance.

The Incentive Payment Multiplier (IPM) which ranges from 0.98 to 1.02 is applied directly to a facility's adjusted federal per diem rate. An IPM of 1.0 indicates no loss of revenue. Greater than 1.0 indicates an increase in payment and less than 1.0 results in a payment cut.

In November 2020, CMS released the "FY 2021 SNF VBP Facility-Level Dataset" with performance information on risk-standardized readmission rates, achievement scores, improvement scores, performance scores, rankings, and incentive payment multipliers. The 2020 data shows that the vast majority of buildings—61.61%—will not receive their full Medicare payment in 2021.

However, there was modest progress in 30-day rehospitalization performance, year to year. Compared to the previous year's data, the number of buildings that hit 100 on the Achievement Score increased to 2.58%, as compared to 1.85%. In addition, the number of buildings to receive a 1.0 or higher payment incentive multiplier in 2021 increased to 38.39% in 2021 as compared to 35.01% in 2020.

The implications for skilled nursing providers are stark. Even a fraction of a percentage point can amount to tens of thousands of dollars in lost or gained revenue across a SNF portfolio. In addition to lower reimbursements, the cost to skilled nursing can be significant in reduced revenue for every day that a patient is cared for in a hospital instead of a skilled nursing facility because they must maintain open beds for readmitted patients.

Beyond direct financial hits, a lower IPM number can have other negative effects. CMS reports each facility's IPM number and their ranking among peers on the Nursing Home Compare website, which is used by consumers and referral sources to determine a SNF's overall reputation and care quality. A subpar ranking can have long-term effects on future referrals and admissions.

Boosting your Incentive Payment Multiplier by managing readmissions

Skilled nursing providers now experience a direct financial impact as a result of hospital readmission rates. Clearly there is a compelling incentive for SNFs to manage and improve performance related to this quality measure.

One important strategy is to collaborate with area hospitals and other providers up and downstream to improve transitions of care. Understanding and analyzing readmission data is essential to implementing strategies that will have the most impact in improving readmission rates.

Providers should use data for insight into diagnoses that are repeatedly responsible for readmission and then develop targeted special care plans. There are 10 diagnoses that represent nearly 50% of skilled nursing rehospitalizations. Septicemia and pneumonia alone represent more than one in five hospitalizations.

By catching even a few cases early enough to intervene, treat, and prevent a hospitalization, facilities can reduce their readmission rate in a meaningful way. Providers with better processes and care plans outperform their peers with lower readmission rates and better outcomes.

The right technology also can support providers by identifying patients who are most at risk for near-term decline, allowing care teams to act quickly, treat in place, and prevent rehospitalization. While there are many technological solutions, predictive analytics that plug into Electronic Medical Records (EMR) and apply machine learning are typically the most effective in forecasting risk and decline.

Programs driven by artificial intelligence with actionable daily reporting have been shown to reduce short-stay rehospitalizations by 52% and increased resident days by 32%. This potentially accounts for \$120,000 annual revenue per building.

Providers with better processes and care plans outperform their peers with lower readmission rates and better outcomes.



Learn how SAIVA can help you **reduce rehospitalizations by as much as 50 percent.**

Schedule a free consult today.

(888) 521-4011 • contactus@saivahc.com

ABOUT SAIVA

SAIVA uses artificial intelligence to improve outcomes and unnecessary hospitalizations by identifying your patients most at risk for near-term decline.