



The last of the birthday candles have been blown out; the youngest of the Baby Boomers have now entered their mid-fifties and created the largest elderly population in history. According to the National Center for Health Statistics, by 2030, Boomers will account for more than twice as many hospital admissions as they do today – putting unprecedented strain on the healthcare system. Reining in costs while improving patient care is now a major priority and is fueling the drive towards value based medicine.

*The Protecting Access to Medicare Act (PAMA) was passed into law in 2014 and introduced a Value-Based Purchasing program for skilled nursing facilities. Performance will be measured by the number of hospital readmissions coming from individual SNFs and poor performers will be financially penalized.*

Inefficiencies can be toxic to an industry, and hospital readmissions are a \$41 billion a year liability that also jeopardize the safety of patients. Since 2012 the Affordable Care Act has allowed Centers for Medicare and Medicaid Services (CMS) to fine hospitals with high readmission rates through the [Hospital Readmission Reduction Program \(HRRP\)](#). As of October 2018, new legislation under PAMA will also penalize skilled nursing facilities (SNF) with high readmission rates. This new measure to financially motivate SNFs to improve performance works in conjunction with the Five-Star Quality Rating system created by the CMS to help hospitals (as well as consumers, their families, and caregivers) compare skilled nursing facilities and nursing homes so they can refer their patients to the ones that have the best record for patient outcomes.

## How performance is measured

Performance is determined using a [Skilled Nursing Facility 30-Day All-Cause Readmission Measure \(SNFRM\)](#) and, since October 2016, a [Skilled Nursing Facility 30-Day Potentially Preventable Readmission Measure \(SNFPPR\)](#)

Find out the [top ten things](#) SNFs need to know about how readmissions are measured under PAMA.

## How penalties are calculated

Funding for the value-based incentive payments will come from a 2 percent reduction in Medicare's per diem payments for all skilled nursing facilities, beginning in Fiscal 2019 (October 2018). 50-70% of the money collected will go back to SNFs as incentive payments. (The rest is a cost-saving measure meant to reduce Medicare spending by a projected \$2 billion over 10 years). The better a facility performs (i.e. the less readmissions), the more incentive payments it will receive, up to the original 2% withheld, or possibly even more for top performers. Facilities with poor performance rates will receive less than their 2% holding, or possibly, nothing at all.

## How PAMA affects skilled nursing facilities

The implications of PAMA are huge, hospitals are seeking to hold post-acute care providers such as SNF's accountable because they now have more at risk under value-based payment models. Hospitals don't refer patients to skilled nursing facilities that have a high number of patients readmitted to hospital. A loss of referrals negatively affects a skilled nursing facility's Five-Star Quality Rating and occupancy rate. Vacant beds mean thousands of dollars in lost revenue. Now, under PAMA, SNFs with high readmission rates will receive direct financial penalties, further impacting their bottom line.

*"Preferred SNF networks represent an aggressive new strategy by hospitals to gain more control over quality and costs in the largely independent skilled-nursing facility sector."*

*~Modern Healthcare, "Hospitals select preferred SNFs to improve post-acute outcomes"*

Some concerns have been raised with how PAMA is being rolled out, most notably by Jennifer Carnahan, MD, and colleagues from the Indiana University Center for Aging Research in their article [Hospital Readmission Penalties: Coming Soon to a Nursing Home Near You!](#). Carnahan argues that more evidence is needed on the best ways of caring for patients after a brief stay in a SNF and that poor communication and care coordination between hospitals and skilled nursing facilities needs to be addressed before PAMA is instituted. She is also concerned with how PAMA will affect care, namely, the risk that SNFs will keep patients longer than medically necessary to avoid penalties.

[A new study](#) in *Health Affairs*, found that hospitals in Medicare's Accountable Care Organization were able to reduce rehospitalizations from skilled nursing facilities faster than other hospitals. "Hospitals have historically had no incentive to coordinate care management efforts with post-acute providers," said John McHugh, co-author and assistant professor of Health Policy and Management at Columbia University's Mailman School of Public Health. "This highlights one area in which the ACO incentive structure may be working to improve outcomes for skilled nursing facility patients."

While more research will need to be done to gauge the effectiveness of PAMA, financial penalties for readmissions just might be the boost needed for both hospitals and skilled nursing facilities to work together to improve patient incomes. And no one could argue that, for patients, the value of that alone would be priceless.



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