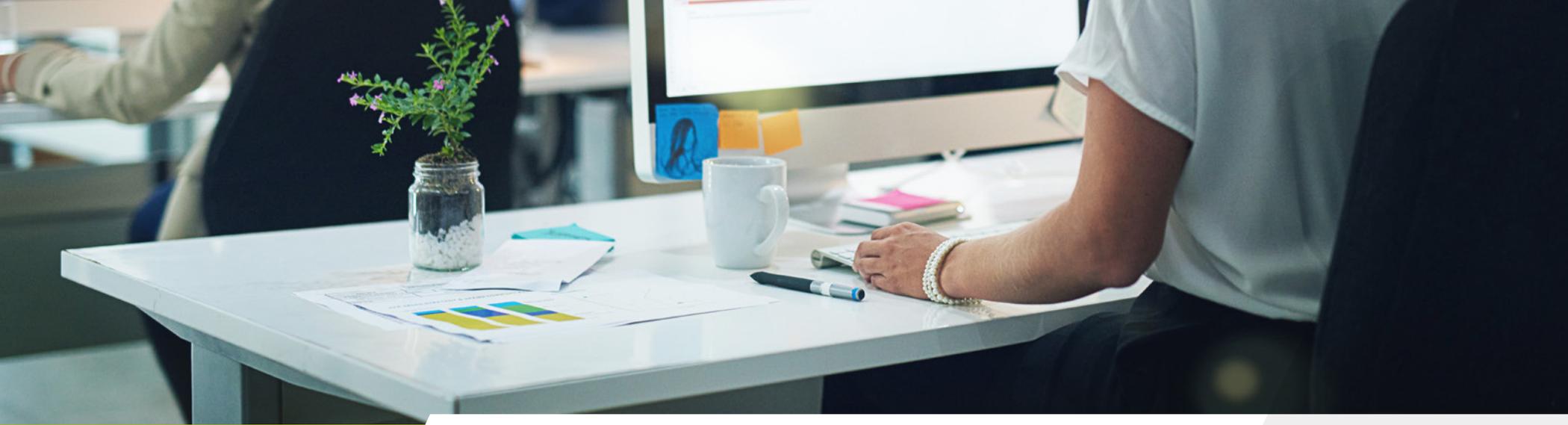




ABILITY PDPM Series

PDPM and Its Impact on Your Bottom Line





There is no doubt that the Patient-Driven Payment Model (PDPM) will have a financial impact on skilled nursing facilities (SNFs). Providers must determine the extent of the expected impact.

PDPM determines Medicare payments based on a resident's conditions and care needs, as opposed to the previous Resource Utilization Group (RUG-IV) system that focused nearly entirely on the therapy minutes provided.

According to CMS, PDPM eliminates the incentive to provide unnecessary or ineffective therapy, and classifies residents into payment groups based on specific, data-driven characteristics.

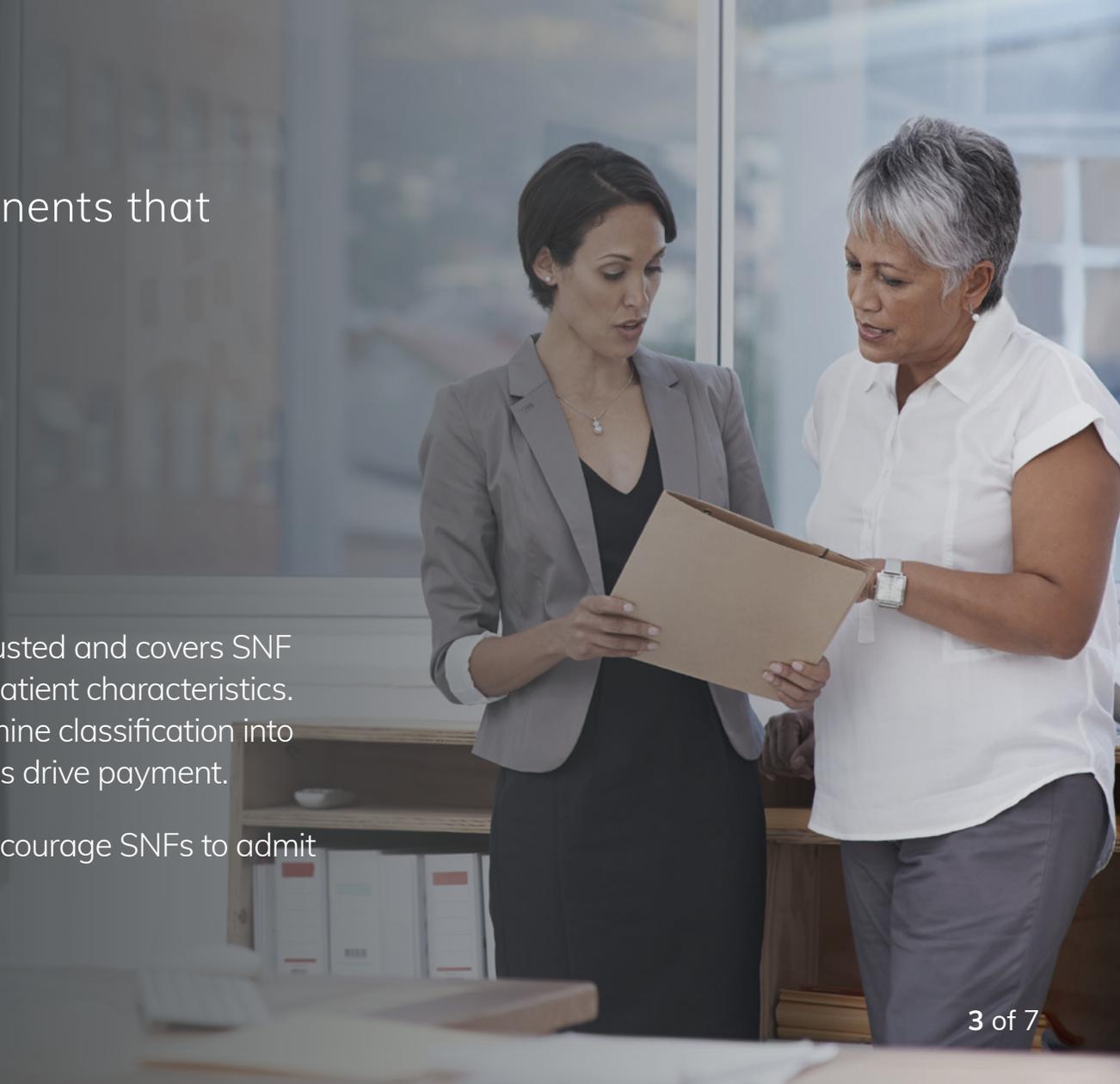
There are six clinical components that determine payment.

Five are case-mix adjusted:

- 1 Physical therapy (PT)
- 2 Occupational therapy (OT)
- 3 Speech-language therapy (SLP)
- 4 Non-therapy ancillary (NTA)
- 5 Nursing

The final component is not case-mix-adjusted and covers SNF resources that do not vary according to patient characteristics. Patient characteristics are used to determine classification into a case-mix group (CMG), and these CMGs drive payment.

The new payment calculations should encourage SNFs to admit more medically-complex patients.



PDPM's impact on a SNF's revenue

Higher payment levels under RUG-IV do not necessarily translate into higher payment levels under PDPM. In fact, the accounting firm Plante Moran predicts that providers with the highest revenue under RUG-IV may be the most vulnerable¹. Their analysis predicts that SNFs that excelled under RUG-IV are likely to see declining reimbursement and those with lower RUG-IV performance will fare better under PDPM.

The firm compared current RUG-IV reimbursements and lengths of stay to what PDPM reimbursement would be for the same situation. The findings were eye-opening.

RUG-IV High Earners	RUG-IV Lower Earners
RUG per diem rate \$558.38	RUG per diem rate \$489.50
PDPM per diem rate \$529.59	PDPM per diem rate \$524.46

These changes are due in large part to the intentional de-emphasis of therapy delivery under PDPM.

New reimbursement opportunities under PDPM



The new PDPM system tapers rates for PT and OT over time. To succeed under PDPM, providers need to identify new opportunities for reimbursement. The new reimbursement structure incentivizes caring for medically-complex patients requiring nursing and non-therapy ancillary services.

But to be successful in taking on more complex cases, it's imperative to ensure staff is trained for the challenge.



The hidden costs of PDPM

In addition to PDPM's impact on revenue, SNFs should consider the additional costs they will likely face.

Consulting powerhouse and management company, Health Dimensions Group (HDG), acknowledges that the new system provides flexibility to manage costs but warns that SNFs should prepare for new, hidden or unexpected costs². These might include using outdated therapy contracts, making necessary technology and software upgrades, training staff, ensuring ICD-10 coding competency and increased pharmaceutical costs, among others.





The bottom line

At its core, PDPM is another major step toward valuebased care, with an emphasis on delivering quality care and outcomes for patients. Have a realistic five-year projection that accounts for likely revenue and cost changes, market shifts, and pressures from value-based players like Accountable Care Organizations (ACOs) and bundlers.

**Learn how ABILITY
helps providers
navigate PDPM
and project the
financial impact**

Visit our PDPM page >

Sources:

1. Denise Gadowski, "PDPM: Project the Financial Impact on Your Organization," Plante Moran, accessed July 25, 2019, <https://www.plantemoran.com/explore-ourthinking/insight/2018/10/pdpm-project-the-financial-impact-on-your-organization>
2. "Emerging Myths About PDPM: Be Careful About What You Believe," Health Dimensions Group, accessed July 25, 2019, <https://healthdimensionsgroup.com/myths-pdpm/>