Skilled Nursing Facility Value-Based Purchasing Program
FY 2023 Program Year Incentive Payment Multiplier Calculation

This infographic describes how performance scores and incentive payment multipliers are calculated for the Fiscal Year (FY) 2023 Skilled Nursing Facility Value-Based Purchasing (SNF VBP) Program year.

As described in Step 3 below, CMS suppressed the use of SNF readmission measure data for purposes of FY 2023 scoring and payment adjustments in the FY 2023 SNF VBP Program year because the continuing effects of the COVID-19 public health emergency on the data used to calculate the Skilled Nursing Facility Readmission Measure inhibited CMS's ability to make fair national comparisons of SNFs' performance.

STEP 1

CALCULATE RISK-STANDARDIZED READMISSION RATES (RSRRs)

The SNF VBP Program awards incentive payments to SNFs based on their performance on the Skilled Nursing Facility Readmission Measure (SNFRM, National Quality Forum [NQF] #2510) during a baseline period and a performance period.

a Calculate an RSRR for both the **Baseline and Performance Period**:

$$\left(\frac{\textit{Predicted \# of readmissions}}{\textit{Expected \# of readmissions}}\right) \times \textit{National unadjusted readmission rate} = \textit{RSRR}$$

- The ***predicted number of readmissions*** is the number of unplanned readmissions predicted based on a SNF's performance given its unique case mix.
- The ***expected number of readmissions*** is the number of unplanned readmissions that would be expected if the residents at a given SNF were treated at the average SNF.

b Calculate inverted RSRRs:

$$1 - \textit{RSRR} = \textit{Inverted RSRR}$$

Example

a SNF A's Baseline Period (FY 2019) RSRR:

$$\left(\frac{15.477}{14.761}\right) \times 0.19730 = 0.20687$$

SNF A's Performance Period (FY 2021) RSRR:

$$\left(\frac{10.342}{11.414}\right) \times 0.20335 = 0.18425$$

Example

b SNF A's Baseline Period (FY 2019) inverted RSRR:

$$1 - 0.20687 = 0.79313$$

SNF A's Performance Period (FY 2021) inverted RSRR:

$$1 - 0.18425 = 0.81575$$

STEP 2

CALCULATE THE PERFORMANCE STANDARDS

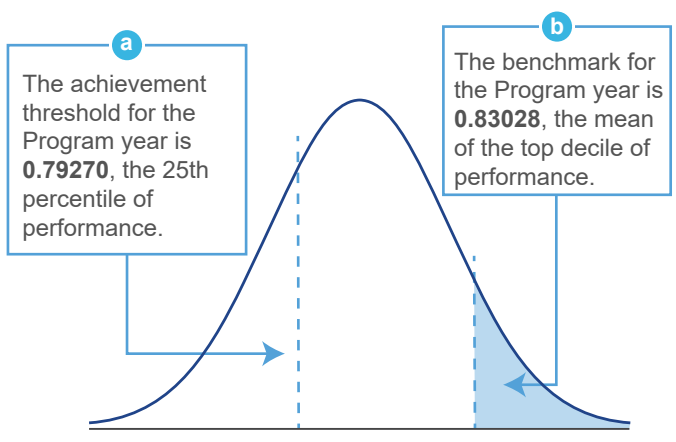
a **The *achievement threshold* is the 25th percentile of all SNFs' performance on the measure during the baseline period.**

b **The *benchmark* is the mean of the top decile of all SNFs' performance on the measure during the baseline period.**

Both performance standards are calculated using inverted RSRRs. The FY 2023 Program year performance standards were published in the FY 2021 SNF PPS final rule (page 47625).

Example

Performance Standards for the FY 2023 Program Year



STEP 3

DETERMINE PERFORMANCE SCORES

Per the suppression policy finalized in the FY 2023 SNF PPS final rule, CMS assigns each SNF a performance score of zero.[a,b]

[a] CMS suppressed the use of SNF readmission measure data for purposes of FY 2023 scoring and payment adjustments in the FY 2023 SNF VBP Program year because the continuing effects of the COVID-19 public health emergency on the data used to calculate the SNFRM inhibited CMS's ability to make fair national comparisons of SNFs' performance. For more information on the FY 2023 SNF VBP Program year suppression policy, see the FY 2023 SNF PPS final rule. SNFs that did not meet the SNFRM's case minimum (25 or more eligible stays) in the performance period (FY 2021) were excluded from the SNF VBP Program for FY 2023; payments to these SNFs in FY 2023 are not affected by the SNF VBP Program and instead these SNFs will receive their full federal per diem rate.

[b] To see how performance scores are calculated in a standard Program year, in the absence of a suppression policy, see Step 3 of the SNF VBP FY 2021 Incentive Payment Multiplier Calculation Infographic.

Example

SNF A's readmission measure data is suppressed from use in scoring. CMS assigns SNF A a performance score of *0.00000*.

STEP 4

TRANSFORM PERFORMANCE SCORES

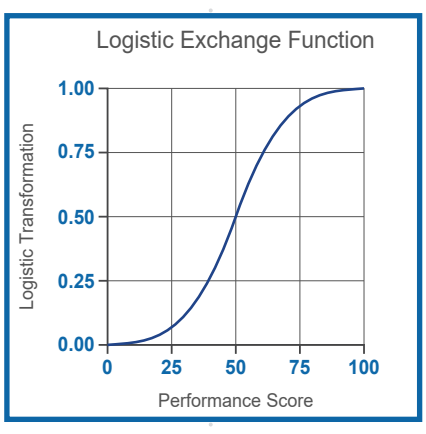
Take the calculated *performance scores* for all SNFs (ranging from 0 to 100, rounded to 5 decimal places) and transform the performance scores using the *logistic exchange function* (transformed scores range from 0 to 1).

Also referred to as an S-shaped curve.

Logistic exchange function:

$$f(X_i) = \frac{1}{1 + e^{-0.1(X_i - 50)}}$$

The SNF's performance score (Step 3)



Example

SNF A's performance score is *0.00000*.

Logistic exchange function:

$$\frac{1}{\left(1 + e^{-0.1(0.00000 - 50)}\right)} = 0.006692851$$

The transformed performance score for SNF A is *0.006692851*.

STEP 5

CALCULATE THE INCENTIVE PAYMENT POOL

Calculate the *incentive payment pool:*[1]

$$\textit{Incentive payment pool} = \textit{60\% of 2\% of SNF Medicare fee-for-service (FFS) Part A payments}$$

Example

The FY 2023 SNF VBP Program used FY 2019 historical payment data to estimate the incentive payment pool.

2% of SNF Medicare FFS Part A payments:
$23,193,228,029 x .02 = $463,864,560.58

60% of the 2% of SNF Medicare FFS Part A payments:
$463,864,560.58 x .60 = $278,318,736.35

The incentive payment pool is *$278.32M*.

STEP 6

CALCULATE A SCALING FACTOR

Each SNF's calculated *scaling factor* ensures that the sum of all SNFs' incentive payment adjustments equals the incentive payment pool.

$$\textit{Scaling factor} = \frac{\textit{Incentive payment pool (Step 5)}}{\sum\left(0.02 \times \textit{Total Medicare payments to SNF} \times \textit{SNF's transformed performance score (Step 4)}\right)}$$

Example

The incentive payment pool is *$278.32M*.

Scaling factor:

$$\frac{\$278,318,736.35}{\$3,104,576.39} = 89.647895462$$

The scaling factor for all SNFs is *89.647895462*.

STEP 7

DETERMINE EACH SNF'S INCENTIVE PAYMENT ADJUSTMENT

$$\textit{Incentive payment adjustment} = 0.02 \times \textit{SNF's transformed performance score (Step 4)} \times \textit{Scaling factor (Step 6)}$$

Example

Incentive payment adjustment:
0.02 x 0.006692851 x 89.647895462 = 0.0120000000

SNF A's incentive payment adjustment is *0.0120000000*.

STEP 8

CALCULATE EACH SNF'S INCENTIVE PAYMENT MULTIPLIER

The *incentive payment multiplier* simultaneously accounts for the 2 percent withhold and the incentive payment adjustment.

$$\textit{Incentive payment multiplier} = \textit{Incentive payment adjustment (Step 7)} + 0.98$$

Example

Incentive payment multiplier:
0.0120000000 + 0.98 = 0.9920000000

SNF A's incentive payment multiplier is *0.9920000000*.

[1] Per statute, the SNF VBP Program must withhold 2% of SNF Medicare FFS Part A payments and redistribute 50%–70% of the withhold to SNFs in the form of incentive payments. CMS finalized a 60% payback percentage on pages 36619 through 36621 of the FY 2018 SNF PPS final rule and discussed maintaining the 60% payback percentage for the FY 2023 SNF VBP Program year in the FY 2023 SNF PPS final rule.

Note: In the examples above, the final digit of the calculated values might not exactly match actual SNF VBP Program results due to rounding.