

LK Alert

August 6, 2003

Littman Krooks LLP

Nursing Home Issues

CMS Announces an Increase in the Nursing Home Medicare Payment Rates

The Center for Medicare & Medicaid Services ("CMS") has announced an increase in the Medicare payment rates to skilled nursing facilities for the 2004 fiscal year. The increase provides for two significant changes: (1) 3% annual update in payment rates and (2) additional 3.26% adjustment to address the underestimate of the market basket projection in the past few years.

Those nursing homes which provide particular skilled nursing and rehabilitative services to Medicare beneficiaries recovering from severe health conditions will benefit from the increases in Medicare payment rates.

Under the skilled nursing facility prospective payment system, each facility is paid a daily rate (which is adjusted for local labor costs) based upon the needs of each Medicare recipient. The daily rate pays for all services provided by the skilled nursing facility; related costs such as therapies, drug and lab services; and capital costs such as land, buildings and equipment.

A skilled nursing facility's market basket is measured annually by CMS to determine any inflation in the cost of the services provided during a resident's nursing home stay, and any Medicare payments are adjusted accordingly.

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It is projected that in 2004, a 3% increase in the market basket will increase rates by \$400 million, and that the 3.26% cumulative adjustment increase of the market basket percentage will increase rates by an additional \$450 million.

In addition, CMS has decided to retain its current classification system which establishes the daily payment rates based upon the needs of the Medicare recipients.

Distribution of this LKR Alert

Littman Krooks LLP encourages you to share this LK Alert with anyone interested in the issues discussed herein.

Speakers

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