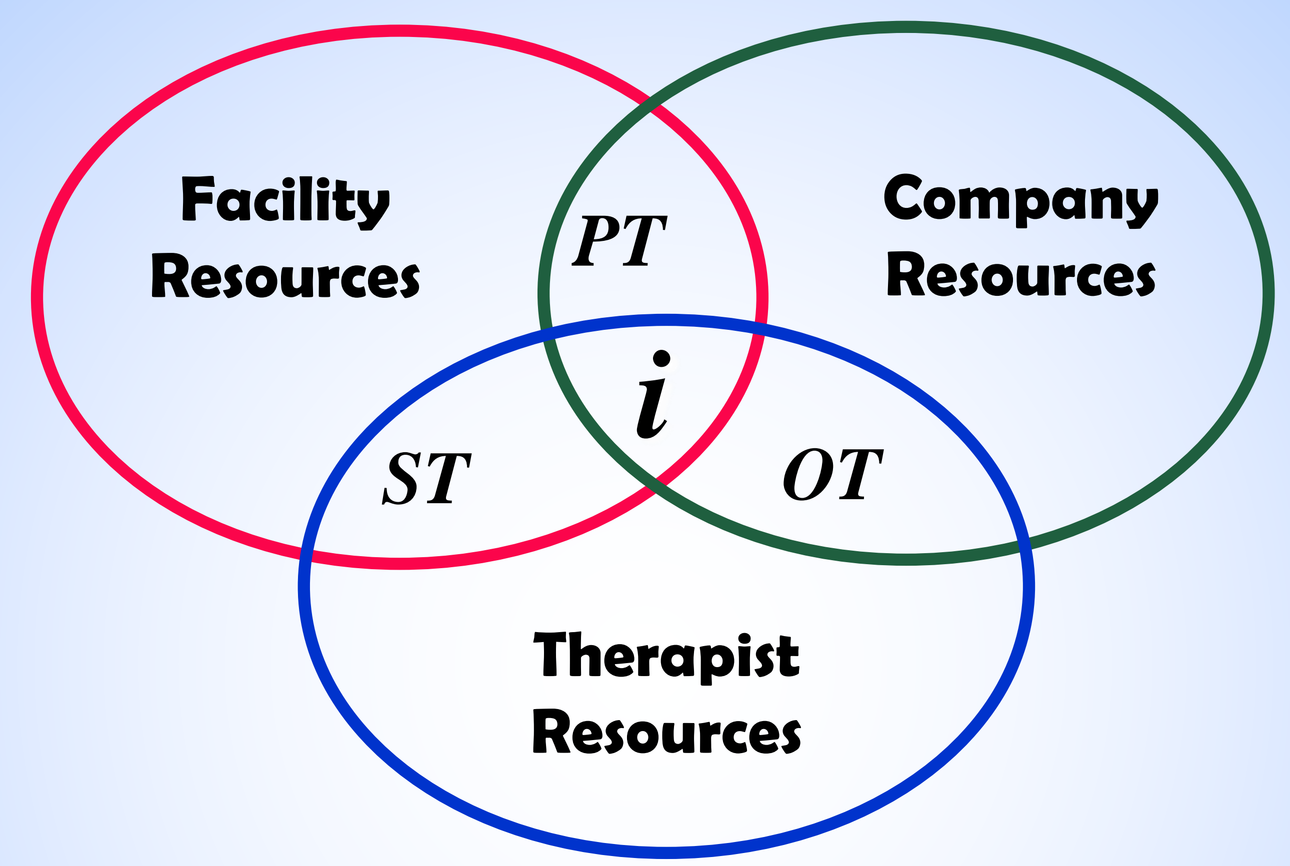

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Which PDPM Therapy Contract Pricing Method is Best?

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Align Incentive and Understand Risk/Reward Dynamics

- To choose the best pricing strategy, consider:
  - What do you want to achieve in your facility/business?
  - What ways will you be managing PDPM?
  - How are your rehab services delivered?
    - In-house OR outsourcing therapy services?
    - At a crossroad? Your PDPM approach may affect your decision.

Align Incentive and Understand Risk/Reward Dynamics (continued)

- Other items to consider:
  - How the SNF's current population crosswalks to PDPM groups.
  - Do you know your patient population and the services you are able to provide.
  - Are you planning on reaching out to a new patient population? Are you planning on adding to the services you are currently providing in your facility?

Align Incentive and Understand Risk/Reward Dynamics (continued)

- It's imperative that SNFs consider, and understand, how each proposed pricing methodology aligns with supporting the SNF in a successful PDPM transition.
- Rehab will still be a key clinical service whose performance impacts a SNF's ability to achieve outcomes, and to grow and sustain market-share by satisfying patients, families, and referral sources.

Align Incentive and Understand Risk/Reward Dynamics (continued)

- Moreover, strong therapy programs support:
  - Value-based payment incentives like QRP.
  - Help prevent re-hospitalizations.
  - Support the SNF interdisciplinary team's case management approach.

Pricing Method Partnering Objectives

What are the areas we want to make sure we address?

- Ensure patient outcomes are attained through evidence-based, well-constructed clinical pathways.
- Provide a compliance foundation on which to build win-win partnerships.
- Ensure clinically based financial opportunity and viability for the SNF and therapy provider.

Pricing Method Partnering Objectives (continued)

- Providing the appropriate resources for accurate completion of the 5th day MDS (ICD10, Section GG, Cognitive, etc.) to ensure the most appropriate and accurate reimbursement is achieved.
- Ensure a manageable billing and invoicing approach.
- Minimize any potential inadvertent misalignment or risk created to contractual incentives.

Key PDPM Concepts

When evaluating different pricing models, keep these concepts in mind:

1. Therapy minutes are eliminated as the basis for payment; but will still be tracked on the D/C MDS
2. Residents are classified based on unique diagnoses and specific characteristics. We will need to align therapy minute parameters to outcomes, compliance and financial viability.

Key PDPM Concepts (continued)

- The transition from RUGs to PDPM will not be linear.
  - Two facilities with similar utilization percentages and days may see a wide variation in how their residents map to PDPM groups from RUGs.

There's Always a Solution!

6 Potential PDPM Therapy Pricing Methods

#1	A per diem rate based on the *overall* per PDPM reimbursement rate.
#2	A per diem rate per **PDPM therapy components**.
#3	Tiered Capitated Per Diem Rate
#4	One Flat Capitated Per Diem Rate
#5	Time in Facility – Registry Style
#6	Part A Cost per Therapy Minute

6 Potential PDPM Therapy Pricing Methods (continued)

#1 A **per diem rate based** on the **overall PDPM reimbursement rate.**

#1 A Per Diem Rate Based on the Overall per PDPM Reimbursement Rate

PROS:

- Simple to track and bill.
- Rate may be easily constructed as a % of the overall PDPM rate.
- Sharing of risk for declining PT/OT rates due to Length of Stay.
- Incentive Rehab to work on "NTA" programs.

#1 A Per Diem Rate Based on the Overall per PDPM Reimbursement Rate (continued)

CONs:

- Sharing the revenues from improved management of nursing services and the Non-therapy Ancillary Service. (Can be a buffer though **)
- Sharing with rehab the first 3 days of the NTA at 300%.

#2 A Per Diem Rate per PDPM Therapy Components

Under PDPM, every Medicare Part A patient is assigned a PT,OT,SLP case-mix classification with a corresponding reimbursement rate for each. When combined, they equal the overall rate for the therapy component.

#2 A Per Diem Rate per PDPM Therapy Components (continued)

PROS:

- Easier to track and bill for EOM invoicing
- Rate may be constructed as a % of the rehab components (PT, OT, ST).
- Similar to the predominant RUGS Per Diem Method (historically constructed on price per minute and therapy minutes).
- SNF guaranteed profit for each PDPM rehab group (only 16 PT/OT and 12 SLP PDPM therapy groups).

#2 A Per Diem Rate per PDPM Therapy Components (continued)

PROS:

- Parties share in upside/downside risks of category alignment, diagnosis coding, cognitive scoring, and identifying patient changes in condition. (deleted section GG)
- Therapy partner absorbs share of PT/OT variable per diem adjustment (after day 20).

#2 A Per Diem Rate per PDPM Therapy Components (continued)

CONS (at least, attention needs to be given to):

- Given there is no immediate financial penalty for under-delivery of therapy services in this model, the SNF may require the therapy provider to deliver proof of outcomes, meet minimum therapy thresholds or indemnify for future denials based on under-delivery.

#3 Tiered Capitated Per Diem Rate (Levels Model)

- The ideal for this method is assigning TBD minute volume estimates and pricing to segments of the SNF's population attempting to align patient group mix with resource needs of medically complex patients, ADL ranges or other factors agreed upon by the SNF and therapy provider.
  - For example: all PT/OT components that fall in the Major Joint Replacement or Spinal Surgery are paid one rate, all Non-Orthopedic Surgery and Acute Neurologic are paid another rate.

#3 Tiered Capitated Per Diem Rate (continued)

PROs:

- By doing a tiered flat rate, versus a percentage, SNF can capture more from improved Nursing services and documentation for complex residents (capturing NTA).
  - For example, with residents that fall in the lower GG categories or may have depression, the reimbursement increases due to increased nursing time.
- Can dictate expected amount of Therapy Minutes per Dx Category or per Level.

#3 Tiered Capitated Per Diem Rate (Levels Model) (continued)

Potential CONs:

- Depending on design and patient mix changes, SNF may not be guaranteed a profit for each tier.
- SNF or rehab partner may carry disproportionate financial risk as PDPM mix changes.

#3 Tiered Capitated Per Diem Rate (Levels Model) (continued)

Potential CONs:

- No industry standard on how tiers should be established.
- Wide variation likely in both reimbursement and therapy required within defined tiers.
- Parties' incentives misaligned to capture optimal revenue upside (coding, Section GG, and cognitive) and case manage patients.

#3 Tiered Capitated Per Diem Rate (Levels Model) (continued)

Potential CONS: (continued)

- SNF absorbs variable per diem adjustment.
- Potential under-utilization of therapy.
- CMS has done the "tier" work for providers by limiting to 16 PT/OT and 12 SLP PDPM therapy groups – why recreate the wheel?

#3 Tiered Capitated Per Diem Rate (continued)

- While there may be universal agreement on how these tiers should be structured in the years ahead, the process to set initial tiers may prove challenging.

#4 One Flat Capitated Per Diem Rate

- The therapy provider charges a per diem rate per Medicare Part A resident, per day. This single per diem rate does not vary with changes in acuity or patient mix.

#4 One Flat Capitated Per Diem Rate (continued)

PROS:

- Simple approach – one tier and one related pricing rate intended to cover all patients in all situations.

#4 One Flat Capitated Per Diem Rate (continued)

CONS:

- Both SNF and rehab partner carry significant and potentially disproportionate financial risk should patient acuity/mix change or experience be different than initial pricing.
- Depending on design and patient mix changes, SNF may not be guaranteed a profit for each PDPM Group.
- No industry experience with PDPM makes this method highly susceptible to behavior misalignment and financial exposure.

#4 One Flat Capitated Per Diem Rate (continued)

CONS: (continued)

- Parties' incentives misaligned to capture potential revenue driver accuracy (coding, Section GG, and cognitive) and case manage patients.
- Therapy partner must deliver adequate volume of minutes (PDPM clinical pathways) to deliver outcomes and ensure compliance under a "managed care like" rate capitation approach.

#5 Time in Facility – Registry Style

- The therapy provider charges an hourly rate for all therapist labor hours spent in the facility.

#5 Time in Facility – Registry Style

PROs:

- Simple model where pricing is based on therapists’ labor hours/bill rates.
- In a facility that is primarily nursing lead due to low therapy needs or patient population, facility can dictate when they want therapy to intervene.

#5 Time in Facility – Registry Style (continued)

CONs:

- Therapy provider not contractually incentivized to drive better outcomes or improve operational efficiencies, putting the SNF at potential risk for decline in performance measures and/or increase in costs.
- Therapy partner gets paid for hours worked; no risk or case management incentive.

#6 Part A Cost per Therapy Minute

- The therapy provider charges a rate per minute of therapy delivered for every Medicare Part A patient.
  - Note: this method is not built to a per diem structure, rather payment for each minute delivered.

#6 Part A Cost per Therapy Minute (continued)

PROs:

- Simple ...

CONs:

- But unpredictable pricing model.
- Parties’ alignment financially at odds – facility better served limiting minutes (cost) while rehab partner benefits from providing more minutes.

#6 Part A Cost per Therapy Minute (continued)

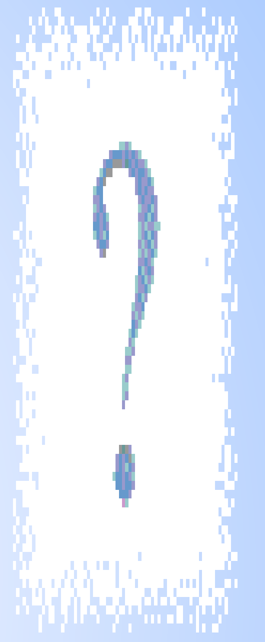
- CONS (continued)
  - Parties' incentives misaligned on revenue capture – coding, Section GG, cognitive, etc.
  - Therapy partner gets paid for care delivered, no risk or case management incentive.
  - Complexity related to which party sets clinical pathways, ensures patient outcomes and compliance, and carries associated risks.

Which pricing method do you think is the best?

We would recommend a close look at Option #2: the per diem rate per PDPM Therapy Components

- The per diem rate per PDPM Therapy Components pricing method aligns all parties’ incentives and interest best while simultaneously embedding accountability to those same parties to deliver on patient outcomes, regulatory compliance, and financial viability.

QUESTIONS & COMMENTS…



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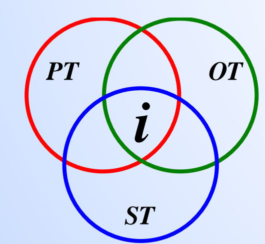

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