

To: All Skilled Nursing Facilities

From: CareFirst of Maryland, Inc.

Date: September 3, 2003

Subject: Medicare Part A Skilled Nursing Facility (SNF) Prospective Payment System (PPS) Update

I. GENERAL INFORMATION

This bulletin provides information on the updates to the payment rates used under the PPS for SNFs, for FY 2004, as required by statute.

A. Background

Annual updates to the PPS rates are required by §1888(e) of the Social Security Act, as amended by the Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act of 1999 (the BBRA), and the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000 (the BIPA), relating to Medicare payments and consolidated billing for SNFs.

B. Policy

On July 31, 2002, CMS published an update notice in the **Federal Register** (67 FR 49798) detailing the schedule of SNF PPS Federal rates applicable for Medicare SNF payments in FY 2003. The CMS published the SNF payment rates for FY 2004 (that is, beginning October 1, 2003 through September 30, 2004), in the **Federal Register** on August 4, 2003 (68 FR 46036).

The methodology used for the update is identical to that used in the previous year. The rates will reflect an adjustment required by the statute. The statute mandates an update to the Federal rates using the latest SNF full market basket. The base rate also has a 3.26 percent forecast error correction adjustment built in. The forecast error correction does not require anything additional from last year since it is built into the base rate.

(Source: Program Memorandum A-03-075; Change Request 2893)

The *effective/implementation date* for this bulletin is October 1, 2003.

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