2024 SNF Medicare Rates: Beware the "October Surprise"

April 10, 2023

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> **NOTE: Figures within this document were based on data from the 2024 Proposed Rule; AWIs were updated in the Final Rule. See ZHSG's 2024 AWI Brief, county-by-county AWI trends from 2022 – 2024, and ZHSG's 2024 PDPM Rate Simulator for more information.**

The big news last week in SNF-land was the release of CMS' 2024 Medicare SNF Proposed Rule. While the industry awaits guidance on (arbitrary and poorly targeted) staffing mandates, providers cheered a 3.7% reimbursement increase that adds about $24/day to the average facility's Medicare Part A rate (we should be outraged, but I'll cover that in August). That sentence was difficult for me to write, not only because every facility and county is different, but because the Market Basket adjustment is only one part of the annual equation; Area Wage Index ("AWI") is the other.

Broad strokes: AWI is a federal market-specific adjustment that reflects *relative* labor cost differences across the nation. Some markets become relatively more expensive, some less. In other words, inflation is not evenly distributed. SNF stakeholders expecting a 3.7% rate increase may be caught off guard when the first check comes higher/lower than budgeted. This happens every year; I call it the "October Surprise" because new rates are effective for Service Dates on/after October 1st.

AWI is a "zero-sum game" – there are winners & losers. Most designated Core-Based Statistical Areas (CBSAs) remain relatively stable, but many change by more than 5% every year, and swings can be severe. This year's big winners add $158/day to Medicare revenue literally overnight, while unlucky operators see $56/day disappear (even after the 3.7% increase is applied). After years of "Rate Shock", CMS finally instituted a 5% stop-loss on annual decreases, so large reductions don't hit all at once. Still, they sting.

New AWIs are introduced and finalized in concert with the SNF Proposed/Final Rules. Here's how 2024's AWI adjustment impacts CMS' 410 Urban Core-Based Statistical Area and 47 states with officially designated Rural areas:

Urban	
Winners:	166
Big Winners:	24
Losers:	244
Big Losers:	42

Rural	
Winners:	13
Losers:	34
No Rural:	3

"Winner/Loser": Net rates will increase/decrease more than 3.7%
"Big": AWI components changes more than 5%

The 10 largest net rate changes proposed by CMS for October 1, 2023 are listed below. Figures reflect proposed rates **_after_** the 3.7% increase is applied. Please remember: <u>Losses</u> are capped at 5% per year specific to AWI, $PPD are estimates only, and these adjustments are not yet final.

CBSA	State	Urban Area	2023	2024	Change	Net $PPD
AWI = 1.0, HIPPS: KFIE, LOS=27, Gross Rate					-	$24
Biggest Urban Area AWI Winners						
42140	NM	Santa Fe	1.0262	1.2996	26.6%	$158
39540	WI	Racine	0.8814	0.9942	12.8%	$78
13380	WA	Bellingham	1.1777	1.3014	10.5%	$89
30980	TX	Longview	0.8569	0.9426	10.0%	$64
28740	NY	Kingston	0.9960	1.0924	9.7%	$72
22020	ND-MN	Fargo	0.7853	0.8613	9.7%	$58
28700	TN-VA	Kingsport-Bristol	0.7114	0.7689	8.1%	$48
27740	TN	Johnson City	0.7108	0.7665	7.8%	$47
10500	GA	Albany	0.8627	0.9299	7.8%	$55
46220	AL	Tuscaloosa	0.7380	0.7952	7.8%	$48

CBSA	State	Urban Area	2023	2024	Change	Net $PPD
AWI = 1.0, HIPPS: KFIE, LOS=27, Gross Rate					-	$24
Biggest Urban Area AWI Losers						
27060	NY	Ithaca	1.1030	0.9299	-15.7%	($56)
21300	NY	Elmira	0.9211	0.8120	-11.8%	($29)
22140	NM	Farmington	0.9261	0.8319	-10.2%	($22)
22540	WI	Fond du Lac	0.9107	0.8194	-10.0%	($21)
39740	PA	Reading	0.9929	0.8949	-9.9%	($22)
16020	MO-IL	Cape Girardeau	0.8052	0.7258	-9.9%	($17)
44420	VA	Staunton-Waynesboro	0.9879	0.8919	-9.7%	($21)
16220	WY	Casper	0.9831	0.8899	-9.5%	($20)
27340	NC	Jacksonville	0.7690	0.7044	-8.4%	($12)
16700	SC	Charleston	0.9182	0.8414	-8.4%	($13)

State	2023	2024	Change	Net $PPD
Biggest Rural AWI Winners				
North Dakota	0.7916	0.8927	12.8%	$74
Connecticut	0.9630	1.0087	4.7%	$49
Georgia	0.7491	0.7685	2.6%	$31
Colorado	1.0297	1.0487	1.8%	$36
Wyoming	0.9364	0.9533	1.8%	$33

State	2023	2024	Change	Net $PPD
Biggest Rural AWI Losers				
Hawaii	1.2310	1.1534	-6.3%	($8)
Arizona	0.8594	0.8079	-6.0%	($3)
Washington	1.0266	0.9680	-5.7%	($3)
Massachusetts	1.3264	1.2615	-4.9%	($1)
New Hampshire	1.0293	0.9809	-4.7%	$1

You can model your county's 2024 [PDPM rate at eCapIntel](#). As always, feel free to reach out to us at info@zhealthcare.com or info@ecapintel.com.

Incidentally, the entire SNF rate construction model is a farce. Medicare uses hospital cost report data as a proxy for SNF economics because CMS never got around to calculating a SNF-specific index, despite a Congressional mandate to do so twenty years ago. Adding insult to injury, hospitals can "reclassify" their AWI designation if their labor pool is drawn from higher-paying counties. Lastly, don't expect SNF Medicare Advantage rates to change pro rata to Medicare's 2024 updates, unless of course your facility is on the "Loser" side of the ledger. *But those are stories for another time…*

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