

# Loeb & Troper's MDS Update

September 2010

## MDS 3.0 Transition – September 2010 / October 2010

Effective 10/1/2010, nursing facilities will be required to complete the Minimum Data Set version 3.0 (MDS 3.0) Resident Assessment Instrument. In general, residents whose Medicare Part A MDS payment period overlaps September and October 2010 must have an MDS 2.0 for September payment days and an MDS 3.0 for October payment days. For these “transition” residents, CMS has provided the following options:

Option 1	Conduct an extra MDS 3.0 assessment at the beginning of October to be applied to Medicare Part A days from October 1 <sup>st</sup> up to the next regularly scheduled MDS 3.0 payment period.
Option 2	Complete the September MDS 2.0 and the October MDS 3.0 on the regular MDS schedule. CMS will allow the October MDS 3.0 to apply retroactively to Medicare days beginning October 1 <sup>st</sup> and prospectively to the regularly applicable payment period.
Option 3	Substitute the September MDS 2.0 with an MDS 3.0. CMS will use the MDS 3.0 to apply to the September payment days (RUG-III) and to October payment days (RUG-IV/Hybrid RUG-III). The next MDS 3.0 should be completed on the regular schedule.

Note: detailed schedules are available from CMS outlining Assessment Reference Date (ARD) windows. Management will be required to choose an MDS transition option on a case-by-case basis to ensure appropriate reimbursement and to avoid missed assessments, no payment days and default payment days. Important issues to consider are:

- Anticipated discharge date
- Continued requirement of skilled services
- Possible hospital transfer
- Reimbursement based on RUG-III vs. RUG-IV and Hybrid RUG-III

## Medicare PPS Payment

Effective 10/1/2010, nursing facilities will be paid based on new RUG-IV rates (66 RUG-IV categories). However, provisions of Health Care Reform legislation officially delayed implementation of RUG-IV until 10/1/2011. As a result, under current law, CMS will be required to retroactively adjust Medicare payments effective 10/1/2010 to reflect Hybrid RUG-III rates when systems allow.

It is important to note that MDS 3.0 and RUG-IV were intended to be implemented concurrently. As a result, there are efforts currently underway to amend existing law to allow for implementation of RUG-IV rates effective 10/1/2010.

Implementation of MDS 3.0 may have an impact on the RUG category assigned for Medicare Part A patients (under RUG-IV as well as Hybrid RUG-III). It is important to understand these impacts so that management can properly adjust Medicare revenue and/or expenses as part of the 2011 budgeting process. Important issues to consider are:

- The impact of concurrent therapy changes on the ability to maintain levels of rehabilitation
- The impact of new MDS 3.0 policies and grouper logic on Medicare revenue effective 10/1/2010 and forward

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