Why You Should Care About RCS-1 . . . Whatever That Is?

By Susan Saldibar

So what is RCS-1 and why is it causing such uncertainty for therapy and post-acute care providers?

Last week I caught up with Mark Besch, CCO of Aegis Therapies (a Senior Housing Forum partner). We talked about the looming RCS-1 or, more formally known as the Resident Classification System, Version 1 that the CMS is looking to replace RUG-IV (Resource Utilization Groups, Version IV) with. I asked Mark to weigh in on how RCS-1 would change reimbursement and when he thought it would actually be implemented.

It was a pretty in-depth discussion, but here are some of the highlights.

Minutes Don't Matter. It's all about "Value" now.

The most dramatic change in RCS-1 is that "minutes of therapy" will no longer be a significant factor in reimbursement. Instead, CMS will reimburse based on what they refer to in their Advanced Notice as "value". That means a reimbursement model based on the new proposed classification system that considers things like diagnoses and diagnostic groups, functional abilities, presence of cognitive impairment and other conditions and nursing needs - all of which CMS feels are more patient centered payment.

This significant shift in payment methodology is another example of CMS continuing to focus on its stated objective to shift away from paying for volume to paying for value.

How will "value" be defined? CMS may offer some clues.

"While I'm not here to answer that question, I think that providers need to think about how they would," Mark tells me. "Maybe, more importantly, how they think CMS might answer that question. Then they need to position themselves for an environment that is going to pay for 'value' as opposed to paying for volume."

Okay but, minus a crystal ball, how do you do that? Mark suggests you start by looking at the kinds of data that CMS already has. He reminds us that CMS has to have the data behind whatever they define as "value" if they are going to tie payment to it. So, where to go to get some clues? Mark has a few ideas.

Quality Reporting Program or "QRP". There is a QRP for each different provider group. They focus on things like the percentage of patients discharged to the community, hospital readmissions, all over value and quality data. And these reports are publicly available.

"Comparison" websites. This comparison data, available online, is all publicly reported and Mark tells me could be a relatively simple way to collect some good fodder for determining "value" measures.

The Impact Act. This act mandates a consistent set of data posted across post-accute settings, which also may give some insight into the kinds of data that CMS thinks is important. It includes things like re-hospitalization, discharges to community and so forth. So it could be another good source for those looking at how value might be defined by CMS.

Budget neutral? So they say, but there will still be winners and losers.

Even though RCS-1 has been described as 'budget neutral' we know that there will be winners and losers. After the relase of the Advanced Notice, CMS released an analysis that, basically looked at every skilled nursing facility. They looked at the 2016 reimbursement under RUG-IV and they projected the same reimbursement for the same cohort of patients under RCS-1. "While, overall, it was pretty close to budget neutral, maybe a few points below, because they released it on a bi-facility basis, there were clearly winners and losers," Mark tells me.

The CMS analysis showed winners as those facilities that were more rural, not for profit, and that have a wide mix of patients. On the other hand, the losers tended to be more urban, for profit, and high utilization in the high RUG-IV category.

On balance, Mark tells me that those he knows who are doing modeling on their books of business are modeling a decline in revenue. So, the next order of business for those potential "losers" is to decide what action steps they need to take for their businesses to provide care in a possible environment of lower revenue.

So, when is RCS-1 going to actually happen? FY2019 or FY2020?

Of course, the $6 million question is: Will RCS-1, or a portion thereof, be included when the Proposed Rule for skilled nursing facilities "PPS" for FY2019 gets published? Mark anticipates that we'll know soon, as CMS typically publishes between April 15th and May 6th.

Many are thinking we might be looking at FY2020, which would mean an implementation starting in October 2019. At a recent open door forum, CMS's John Kane made some comments to the effect that RCS-1 was really more of an "advance notice" than a "proposed rule" at this point. He admitted to having basically no timeline. And, Mark confirmed, based on a recent call with advocacy group, NASL, that their thinking is, while portions could be included in the upcoming FY 2019 proposed rule, it is more likely that we'll see it in the proposed rule for FY2020, with roll out in October 2019.

But then again, if you happened to hear the new HHS Secretary, Alex Azar, address the Federation of American Hospitals, you might think otherwise. He spoke of an administration that is not interested in incremental steps. (No kidding!) "We are unafraid of disrupting existing arrangements." So maybe it's anybody's guess after all.

Words of advice?

I asked Mark what he would say to providers not wanting to get blindsided by these moves. "Stay connected," he advises. "Whether it's through associations, through memberships or paid consultants. Being informed is a good thing."

The wrong approach, he feels, would be to say to yourself, "Hey we don't know what this is going to look like, what's going to happen with RCS-1, so let's just sit back and wait until we know more." Instead, you should be saying, "What might reimbursement look like? How will 'value' be determined?"

Finally, Mark encourages involvement. "As they say, 'You can be at the table or you can be on the menu.' Be at the table," he tells me. "Try to find ways to have influence. The degree to which decision makers understand the impact of the things being contemplated can only help."

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