



INFORMATIONAL LETTER NO. 2442-MC-FFS

DATE: April 3, 2023

TO: Iowa Medicaid Nursing Facilities (NF), Nursing Facilities for the Mentally Ill (NFMII), Skilled Nursing Facilities (SNF)

APPLIES TO: Managed Care (MC), Fee-for-Service (FFS)

FROM: Iowa Department of Health and Human Services (HHS), Iowa Medicaid

RE: Optional State Assessment (OSA) and Patient-Driven Payment Model (PDPM) for Case Mix

EFFECTIVE: July 1, 2023

As noted in [Informational Letter \(IL\) 2052-MC-FFS¹](#), the Centers for Medicare and Medicaid Services (CMS) implemented the PDPM effective October 1, 2019. All scheduled prospective payment system (PPS) assessments (except the 5-day) and all unscheduled PPS assessments were retired. To fill that gap in assessments, CMS created an OSA as a way for NFs to report changes in patient status, consistent with individual state case-mix rules so that Medicaid payments were not adversely impacted when PDPM was implemented. The OSA allowed states to collect Resource Utilization Group (RUG)-III and -IV classifications. Iowa Medicaid uses RUG-III 34 grouper for case mix reimbursement calculations.

On October 1, 2020, Iowa Medicaid began collecting the PDPM payment codes on all Omnibus Budget Reconciliation Act (OBRA) assessments. This information was necessary for Iowa Medicaid to model and plan for the potential transition to PDPM for future rate setting methodology.

CMS has announced that as of October 1, 2023, RUG-III and -IV will no longer be supported on any federal assessments. CMS also announced that the OSA, which is not considered a federal assessment, will still be available to states until October 1, 2025.

¹ <https://secureapp.dhs.state.ia.us/IMPA/Information/ViewDocument.aspx?viewdocument=1d2cd85e-7057-4d76-b548-909adb607bd5>

The following will be implemented:

- Iowa Medicaid will replace RUG-III with PDPM for case mix for rates effective July 1, 2024.
- Minimum data set (MDS) assessments with target dates of July 1, 2023, or after, will use the PDPM nursing component for reimbursement calculations.
- The OSA will be discontinued for Iowa case mix purposes on July 1, 2023.

NFs should continue to complete all OBRA and PPS assessments and tracking forms in accordance with the resident assessment instrument (RAI) manual. Following the transition from a Medicare Part A stay to NF level of care, an NF has the option of completing a quarterly OBRA assessment to have it captured on the case mix report. This is an option, not a requirement.

If you have any questions, please contact Iowa Medicaid at casemix@dhs.state.ia.us.