Skilled Nursing Facility Value-Based Purchasing Program
Incentive Payment Multiplier Calculation for the Early Look Performance Score Report

CMS CENTERS FOR MEDICARE & MEDICAID SERVICES

This infographic describes how performance scores and incentive payment multipliers were calculated for the Early Look Performance Score Reports (Early Look Reports) for the Skilled Nursing Facility Value-Based Purchasing (SNF VBP) Program. The Early Look Reports are intended to accomplish three goals for the newly expanded SNF VBP Program:

1. Familiarize SNFs with the planned format of the official Performance Score Report that will be distributed for the FY 2026 Program year.

2. Familiarize SNFs with the scoring and payment methodology that will be applied for the FY 2026 Program year.

3. Inform SNFs of their past performance on the four quality measures adopted for the FY 2026 Program year, and model performance for the FY 2026 SNF VBP Program year using this historical data.

The Early Look Reports use historical quality measure data to model performance in the newly expanded SNF VBP Program. The Early Look Reports do not reflect facilities' official performance in the SNF VBP Program, and will not impact facilities' payments; CMS will share official performance information for the FY 2026 Program year based on updated measure data at a later date.

STEP 1

CALCULATE MEASURE RESULTS

For the FY 2026 Program year, the Centers for Medicare and Medicaid Services (CMS) will assess performance in the SNF VBP Program **based on performance across four quality measures:**

- the Skilled Nursing Facility 30-Day All-Cause Readmission Measure (SNFRM)

- the Skilled Nursing Facility Healthcare-Associated Infections Requiring Hospitalization (SNF HAI) measure

- the Total Nursing Staff Turnover (Nursing Staff Turnover) measure, and

- the Total Nursing Hours per Resident Day (Total Nurse Staffing) measure.

a In the Early Look Reports, CMS calculated results for all four measures during a *baseline period (FY 2021)* and a *performance period (FY 2022).*

Measure name and technical report	What is the measure result?
SNFRM	Evaluates the annual risk-standardized rate of unplanned, all-cause hospital readmissions
SNF HAI	Evaluates the annual risk-standardized rate of healthcare-associated infections requiring hospitalization that are acquired during SNF care
Nursing Staff Turnover	Evaluates the annual turnover rate among eligible SNF staff
Total Nurse Staffing	Evaluates the case-mix adjusted total nursing staff hours per a facility's aggregate count of a daily resident census

b CMS calculated *inverted measure results* for the SNFRM, SNF HAI and Nursing Staff Turnover measures only, so that higher results indicate better performance for all four quality measures in the SNF VBP Program. For these measures, inverted measure results are used for all subsequent calculations.

Inverted Measure Result = 1 – Measure Result

Example

a/b. SNF A's baseline period *(FY 2021)* measure results:

Measure	Baseline period measure result	Baseline period inverted measure result (higher results are better)
SNFRM	19.65%	1 - 19.65% = 80.35%
SNF HAI	6.21%	1 - 6.21% = 93.79%
Nursing Staff Turnover	93.61%	1- 93.61% = 6.39%
Total Nurse Staffing	5.03 nursing hours per resident day	Not inverted

a/b. SNF A's performance period *(FY 2022)* measure results:

Measure	Performance period measure result	Performance period inverted measure result (higher results are better)
SNFRM	18.31%	1 - 18.31% = 81.69%
SNF HAI	4.60%	1 - 4.60% = 95.40%
Nursing Staff Turnover	31.31%	1 - 31.31% = 68.69%
Total Nurse Staffing	4.64 nursing hours per resident day	Not inverted

CALCULATE THE PERFORMANCE STANDARDS

CMS calculated **two performance standards** for the SNF VBP Program for each of the four quality measures. These performance standards are applicable to all SNFs subject to the SNF VBP Program:
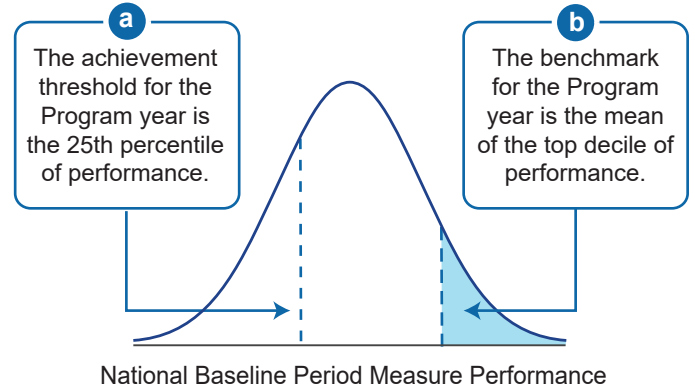
a The *achievement threshold* is the 25th percentile of all SNFs' performance on a measure during the baseline period.

b The *benchmark* is the mean of the top decile of all SNFs' performance on a measure during the baseline period.

For the SNFRM, SNF HAI, and Nursing Staff Turnover measures only, both performance standards are calculated using inverted measure results so that higher measure results indicate better performance for all four quality measures in the SNF VBP Program.

Example

Performance Standards for the Early Look Reports

a The achievement threshold for the Program year is the 25th percentile of performance.

b The benchmark for the Program year is the mean of the top decile of performance.

National Baseline Period Measure Performance

Measure	Achievement threshold	Benchmark
SNFRM	0.78516	0.82838
SNF HAI	0.91454	0.94766
Nursing Staff Turnover	0.37624	0.72732
Total Nurse Staffing	3.33352	5.95599

DETERMINE MEASURE SCORES

To determine the *measure score* for each measure, CMS first calculated the *improvement score* (scores range from 0 to 9) and the *achievement score* (scores range from 0 to 10) for each measure using the criteria and equations below. Whichever score is higher becomes the measure score.

a **Improvement Score (0-9, higher is better)**

If the SNF's performance period measure result is…	Then the SNF receives…
Less than or equal to the SNF's baseline period measure result	0 points for improvement
Greater than or equal to the benchmark	9 points for improvement
Greater than the SNF's baseline period measure result **but less than** the benchmark	Between 0 and 9 points for improvement as calculated using this formula:

$$\left(\left[10 \times \left(\frac{\text{(SNF perf. period measure result} - \text{SNF baseline period measure result)}}{\text{(Benchmark} - \text{SNF baseline period measure result)}}\right)\right] - 0.5\right)$$

b **Achievement Score (0-10, higher is better)**

If the SNF's performance period measure result is…	Then the SNF receives…
Less than the achievement threshold	0 points for achievement
Greater than or equal to the benchmark	10 points for improvement
Greater than or equal to the achievement threshold **but less than** the benchmark	Between 0 and 10 points for achievement as calculated using this formula:

$$\left(\left[9 \times \left(\frac{\text{(SNF perf. period measure result} - \text{Achievement threshold)}}{\text{(Benchmark} - \text{Achievement threshold)}}\right)\right] + 0.5\right)$$

The following elements are used to determine each SNF's measure score:

- The SNF's baseline period measure result (Step 1)
- The SNF's performance period measure result (Step 1)
- The achievement threshold and benchmark (that is, the performance standards for the SNF VBP Program) (Step 2)

Example

a/b. SNF A's improvement scores, achievement scores, and measure scores for each measure:

Measure	Improvement score	Achievement score	Measure score (whichever is higher, see check marks)
SNFRM	4.89204	7.11360 ✔	7.11360
SNF HAI	9.00000	10.00000 ✔	10.00000
Nursing Staff Turnover	8.89103 ✔	8.46434	8.89103
Total Nurse Staffing	0.00000	4.99223 ✔	4.99223

NORMALIZE MEASURE SCORES AND DETERMINE PERFORMANCE SCORES

To calculate the *performance score* (0 to 100 points), CMS first normalized each measure score (0 to 10 points) to determine its contribution to the performance score.

a For each measure, a *normalized measure score* is calculated by dividing the measure score (Step 3) by the sum of the maximum possible scores across all measures for which the SNF received a measure score, and multiplying the result by 100.

$$\text{Normalized measure score} = \left(\frac{\text{Measure score (Step 3)}}{\sum \left(\text{Maximum possible measure scores} \right)} \right) \times 100$$

b The individual *normalized measure scores* were then summed together to determine the *performance score* (range 0 to 100, higher is better).[1]

$$\text{Performance score} = \sum \left(\text{Normalized measure scores} \right)$$

[1] To receive a performance score and incentive payment multiplier in the Early Look Reports, for at least two of four measures, SNFs must (1) provide reportable data to CMS, and (2) meet the case minimum during the performance period. This is known as the measure minimum policy. SNFs that do not meet the measure minimum are excluded from the SNF VBP Program.

If a SNF does not meet the measure minimum policy in the FY 2026 Program year, payments to these SNFs will not be affected by the SNF VBP Program, and these SNFs will not receive a performance score or incentive payment multiplier for the FY 2026 Program year; instead, they will receive their adjusted federal per diem rate. CMS adopted the measure minimum policy in the FY 2024 SNF PPS final rule (88 FR 53302).

Example

a/b. SNF A's normalized measure scores for each measure and SNF A's performance score:

Measure	Measure score	Maximum possible measure score	Normalized measure score (that is, contribution to performance score)
SNFRM	7.11360	10.00000	$\left(\frac{7.11360}{40.00000} \right) \times 100 = 17.78401$
SNF HAI	10.00000	10.00000	$\left(\frac{10.00000}{40.00000} \right) \times 100 = 25.00000$
Nursing Staff Turnover	8.89103	10.00000	$\left(\frac{8.89103}{40.00000} \right) \times 100 = 22.22759$
Total Nurse Staffing	4.99223	10.00000	$\left(\frac{4.99223}{40.00000} \right) \times 100 = 12.48057$
Sum of All Measures	30.99687	40.00000	77.49216

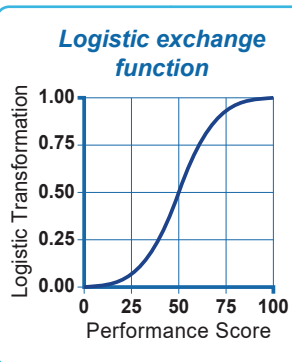SNF A's performance score is *77.49216*.

TRANSFORM PERFORMANCE SCORES

To translate performance scores into incentive payments, CMS transformed each SNF's *performance score* using the *logistic exchange function* (transformed scores range from 0 to 1).

> Also referred to as an S-shaped curve.

Logistic exchange function:

$$f(X_i) = \frac{1}{1 + e^{-0.1(X_i - 50)}}$$

The SNF's performance score (Step 4)

Logistic exchange function

Example

SNF A's performance score is 77.49216.

Logistic exchange function:

$$\frac{1}{\left(1 + e^{-0.1(77.49216 - 50)} \right)} = 0.9398690846$$

The transformed performance score for SNF A is *0.9398690846*.

CALCULATE THE INCENTIVE PAYMENT POOL

CMS calculated the *incentive payment pool[1]* to determine what payments are available for redistribution in the form of incentive payments:

$$\text{Incentive payment pool} = \text{60\% of 2\% of SNF Medicare fee-for-service (FFS) Part A payments}$$

[1] Per statute, the SNF VBP Program must withhold 2% of SNF Medicare FFS Part A payments and then redistribute 50%–70% of the withhold to SNFs in the form of incentive payments. CMS finalized a 60% payback percentage in the FY 2018 SNF PPS final rule (pages 36619–36621).

Example

The Early Look Reports used historical payment data from FY 2021 to estimate the incentive payment pool.

2% of SNF Medicare FFS Part A payments:

$25,121,476,677 x 0.02 = $502,429,533.54

60% of the 2% of SNF Medicare FFS Part A payments:

$502,429,533.54 x 0.60 = $301,457,720.12

The incentive payment pool is *$301.46M*.

STEP 7

CALCULATE THE SCALING FACTOR

CMS calculated the *scaling factor* to confirm that the sum of all included SNFs' incentive payment adjustments equals the incentive payment pool.

$$\text{Scaling factor} = \frac{\text{Incentive payment pool (Step 6)}}{\sum\left(0.02 \times \begin{array}{c}\text{Total Medicare payments to SNF}\end{array} \times \begin{array}{c}\text{SNF's transformed performance score (Step 5)}\end{array}\right)}$$

Example

The incentive payment pool was $301.46M.

Scaling factor:

$$\frac{\$301,457,720.12}{\$150,395,140.34} = 2.0044379057$$

The scaling factor for all SNFs is *2.0044379057*.

STEP 8

DETERMINE EACH SNF'S INCENTIVE PAYMENT ADJUSTMENT

$$\begin{array}{c}\text{Incentive payment adjustment}\end{array} = 0.02 \times \begin{array}{c}\text{SNF's transformed performance score (Step 5)}\end{array} \times \begin{array}{c}\text{Scaling factor (Step 7)}\end{array}$$

Example

Incentive payment adjustment:

0.02 x 0.9398690846 x 2.0044379057 = 0.0376781844

SNF A's incentive payment adjustment is *0.0376781844*.

STEP 9

CALCULATE EACH SNF'S INCENTIVE PAYMENT MULTIPLIER

The *incentive payment multiplier* simultaneously accounts for the 2 percent withhold and the incentive payment adjustment. CMS would apply each SNF's incentive payment multiplier to the SNF's adjusted federal per diem rate.

$$\begin{array}{c}\text{Incentive payment multiplier}\end{array} = \begin{array}{c}\text{Incentive payment adjustment (Step 8)}\end{array} + 0.98$$

Example

Incentive payment multiplier:

0.0376781844 + 0.98 = 1.0176781844

SNF A's incentive payment multiplier is *1.0176781844*.

When CMS makes payments for SNF A's Medicare fee-for-service Part A claims in the applicable Program year, CMS would multiply the adjusted federal per diem rate by SNF A's incentive payment multiplier.

The modeled incentive payment multipliers in the Early Look Reports will not impact facilities' payments. CMS will share official performance information for the FY 2026 Program year at a later date.

Note: The final digit of the calculated values in the examples above may not be exactly replicated due to rounding.

The data included in the Early Look Reports **do not** reflect facilities' official performance in the SNF VBP Program and **will not** impact facilities' payments; CMS will share official performance information for the FY 2026 Program year based on updated measure data at a later date.