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Nursing Home Mega Rule Finalized: Pre-Dispute Arbitration Agreements Not Permitted

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In the final rule overhauling skilled nursing facility federal regulations for the first time since 1991, CMS prohibits all arbitration agreements at the time of admission. According to CMS, such pre-dispute agreements are "fundamentally unfair" because "it is almost impossible for residents or their decision-makers to give fully informed and voluntary consent to arbitration before a dispute has arisen." Once a dispute arises, a facility and a resident may enter into a binding arbitration agreement so long as several requirements are met including voluntary participation by the resident/decision-maker and resident/decision-maker acknowledgment of understanding of the agreement after the facility fully explains it. For providers with existing pre-dispute arbitration agreements, those agreements will not be impacted by this final rule.

The arbitration portion of the final rule takes effect on November 28, 2016

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