
CMS Manual System

Pub. 100-04 Medicare Claims Processing

Department of Health &
Human Services (DHHS)
Centers for Medicare &
Medicaid Services (CMS)

Transmittal 606

Date: JULY 15, 2005

CHANGE REQUEST 3386

Transmittal 271, CR 3386, dated August 4, 2004, is rescinded and replaced by Transmittal 606, CR 3386. The manual instruction in Transmittal 271 was erroneously overwritten by Transmittal 304, CR 3226, dated September 24, 2004. Therefore, we are re-communicating the information from CR 3386 to restore the correct information in the manual. All other information in this CR remains the same.

SUBJECT: Medicare Program-Update to the Hospice Payment Rates, Hospice Cap, Hospice Wage Index and the Hospice Pricer for FY 2005

I. SUMMARY OF CHANGES: Annual update.

NEW/REVISED MATERIAL - EFFECTIVE DATE: October 1, 2004

***IMPLEMENTATION DATE: October 4, 2004**

Disclaimer for manual changes only: The revision date and transmittal number apply to the red italicized material only. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS:

(R = REVISED, N = NEW, D = DELETED)

R/N/D	CHAPTER/SECTION/SUBSECTION/TITLE
R	11/30.2/Payment Rates

***III. FUNDING:**

These instructions shall be implemented within your current operating budget.

IV. ATTACHMENTS:

	Business Requirements
X	Manual Instruction
	Confidential Requirements
	One-Time Notification
X	Recurring Update Notification

***Medicare Contractors Only**

Attachment – Recurring Update Notification

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SUBJECT: Medicare Program-Update to the Hospice Payment Rates, Hospice Cap, Hospice Wage Index and the Hospice Pricer for FY 2005

I. GENERAL INFORMATION

A. Background: Payment for hospice care, the hospice cap amount, and the hospice wage index are updated annually. The law governing the **payment for hospice care** requires annual updates to the hospice payment rates. Section 1814(i)(1)(C)(ii) of the Social Security Act (the Act) stipulates that the payments for hospice care for fiscal years after 2002 will increase by the market basket percentage increase for the fiscal year (FY). This payment methodology has been codified in regulations found at 42 CFR §418.306(a)(b).

The **Hospice Cap** is updated annually in accordance with §1814(i)(2)(B) of the Act and provides for an increase (or decrease) in the hospice cap amount. Specifically, the cap amount is increased or decreased, for accounting years after 1984, by the same percentage as the percentage increase or decrease, respectively, in the medical care expenditure category of the Consumer Price Index for all Urban Consumers.

The **Hospice Wage Index** is used to adjust payment rates to reflect local differences in wages according to the revised wage index. The Hospice Wage Index is updated annually in accordance with recommendations made by a negotiated rulemaking advisory committee and published in the **Federal Register** on August 8, 1997. Section 42 CFR §418.306(C) requires that the updated hospice wage index be published annually as a notice in the **Federal Register**.

B. Policy:

The annual hospice payment updates will be implemented through the Hospice Pricer software found in the intermediary standard systems. The new Pricer module will not contain any new calculation logic, but will simply apply the existing calculations to the updated payment rates shown below. An updated Metropolitan Statistical Area (MSA) table will be installed in the module, to reflect the 2005 hospice wage index. The input and output records of the Pricer module will not be changed. No billing changes are required of hospices to receive the updated rates.

FY 2005 Hospice payment Rates

The FY 2005 payment rates will be the FY 2004 payment rates, increased by 3.3 percentage points, which is the total market basket percentage increase forecasted for FY 2005. The FY2005 hospice payment rates are effective for care and services furnished on or after October 1, 2004, through September 30, 2005.

Reference to the hospice payment rate is discussed further in the Internet Only Manual (IOM), Pub100.04, Medicare Claims Processing Manual, Chapter 11, Processing Hospice Claims. Section 30.2.

Code	Description	Rate	Wage Component Subject to Index	Non-Weighted Amount
651	Routine Home Care	\$121.98	\$83.81	\$38.17
652	Continuous Home Care Full Rate = 24 hours of care \$29.66 hourly rate	\$711.92	\$489.16	\$222.76
655	Inpatient Respite Care	\$126.18	\$68.30	\$57.88
656	General Inpatient Care	\$542.61	\$347.32	\$195.29

Hospice Cap

The latest hospice cap amount for the cap year ending October 31, 2004, is \$19,635.67. Reference to the hospice cap is discussed further in the Internet Only Manual (IOM), Pub100.04 – Medicare Claims Processing Manual, chapter 11 – Processing Hospice Claims. Section 80.2.

Hospice Wage Index

The Hospice Wage Index notice will be effective October 1, 2004, and published in the **Federal Register** before that date. The revised wage index and payment rates will be incorporated in the hospice Pricer and forwarded to the intermediaries following publication of the notice.

- C. **Provider Education:** A provider education article related to this instruction will be available at <http://www.cms.hhs.gov/medlearn/matters> shortly after the CR is released. You will receive notification of the article release via the established "medlearn matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within one week of the availability of the provider education article. In addition, the provider education article must be included in your next regularly scheduled bulletin.”

II. BUSINESS REQUIREMENTS

"Shall" denotes a mandatory requirement

"Should" denotes an optional requirement

Requirement #	Requirements	Responsibility
3386.1	RHHIs should encourage hospice providers to split claims if the dates of service span separate fiscal years, e.g., September/October billing. RHHIs shall alert hospices that the RHHI will use FY 2004 rates if the hospice chooses not to split the claim and that the RHHI will perform no subsequent adjustments to these claims	Intermediaries
3386.2	Medicare systems shall apply the FY 2005 rates for claims with dates on or after October 1, 2004 through September 30, 2005	Pricer

III. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

A. Other Instructions: None

X-Ref Requirement #	Instructions

B. Design Considerations: None

X-Ref Requirement #	Recommendation for Medicare System Requirements

C. Interfaces: None

X-Ref Requirement #	Recommendation for Medicare System Requirements

D. Contractor Financial Reporting /Workload Impact: N/A

E. Dependencies: N/A

F. Testing Considerations: N/A

IV. SCHEDULE, CONTACTS, AND FUNDING

<p>Effective Date: October 1, 2004</p> <p>Implementation Date: October 4, 2004</p> <p>Pre-Implementation Contact(s): Policy: Terri Deutsch Claims Processing: Kelly Buchanan</p> <p>Post-Implementation Contact(s): Policy: Terri Deutsch Claims Processing: Kelly Buchanan</p>	<p>These instructions shall be implemented within your current operating budget.</p>
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30.2 - Payment Rates

(Rev. 606, Issued 07-15-05, Effective: 10-01-04, Implementation: 10-04-04)

HSP-403, HSP-404, 9/5/01 ARA update memo, A-02-059

The CMS publishes general hospice payment rates annually to be used for revenue codes 0651, 0652, 0655, and 0656. These rates must then be adjusted by the FI based on the beneficiary's locality.

National rates are issued as described below. These rates are updated annually and published in the *"Recurring Update Notification."* This example is the national rates for October 1, 2004, through September 30, 2005.

Description	Revenue Code	Daily Rate	Wage Amount	<i>Non-weighted Component</i>
Routine Home Care	0651	<i>\$121.98</i>	<i>\$83.81</i>	<i>\$38.17</i>
Continuous Home Care <i>Full Rate = 24 hours of care; \$29.66 hourly rate</i>	0652	<i>\$711.92</i>	<i>\$489.16</i>	<i>\$222.76</i>
Inpatient Respite Care	0655	<i>\$126.18</i>	<i>\$68.30</i>	<i>\$57.88</i>
General Inpatient Care	0656	<i>\$542.61</i>	<i>\$347.32</i>	<i>\$195.29</i>

These national rates are adjusted by FI as follows:

1. Rate Components

The rate is considered to have two components

A wage amount component

A *non-weighted* component

2. Adjustment to Wage Component

The wage amount component is adjusted (multiplied) by the wage index for the location of the *place of service for routine home care and continuous home care; location of hospice agency for inpatient respite and general inpatient care* to provide for regional differences in wages.

The hospice wage index is published in the **Federal Register** notice each year, and is effective October 1 of that year through September 30 of the following year. To select

the proper index for the hospice area, first determine if the beneficiary is located in one of the Urban Areas listed in Table A of the **Federal Register** notice. If so, use the index shown for the area. If the beneficiary is not located in one of the Urban Areas, use the index number of the rural area for the State, listed in Table B of the **Federal Register** notice.

3. Adjusted Payment Rate

The adjusted wage component is then added to the non-weighted component. This is the payment rate for the year

EXAMPLE I: If the wage index for the beneficiary's area is .87, a \$78.47 national wage amount for routine home care would be multiplied by .87 to determine the wage amount, and this amount (\$68.27) would be added to the *non*-weighted component of \$35.73 to provide a local rate of **\$104.00**.

EXAMPLE II: If the wage index for the beneficiary's area is 0.87, a \$457.97 national wage amount for continuous home care would be multiplied by 0.87 to determine the wage amount, and this amount (\$398.43) would be added to the *non*-weighted component of \$208.55 to provide a local daily rate for revenue code 0652 of \$606.98. Divide by 24 to get the local hourly rate of \$25.29.

Similar calculations are done for the rates for the other revenue codes.