



News Flash - The **Home Health Prospective Payment System Fact Sheet**, which provides information about home health coverage and elements of the Home Health Prospective Payment System, is now available in print format from the Centers for Medicare & Medicaid Services *Medicare Learning Network*. To place your order, visit <http://www.cms.hhs.gov/mlngeninfo/>, scroll down to "Related Links Inside CMS" and select "MLN Product Ordering Page."

MLN Matters Number: MM5879

Related Change Request (CR) #: 5879

Related CR Release Date: February 7, 2008

Effective Date: January 1, 2008

Related CR Transmittal #: R1443CP

Implementation Date: March 7, 2008

Home Health Prospective Payment System (HH PPS) Refinement and Rate Update for CY 2008

Provider Types Affected

Home Health Agencies (HHA) who bill Regional Home Health Intermediaries (RHHI) or Medicare Administrative Contractors (A/B MAC) for services provided to Medicare beneficiaries.

What You Need to Know

CR 5879, from which this article is taken, updates the 60 day national episode rates and the national per-visit amounts under the home health prospective payment system (HH PPS) for CY 2008. It also refines the case mix methodology and rebases and revises the home health market basket for CY 2008.

For CY 2008 (Effective January 1, 2008), Medicare home health payments for HHAs that report quality data (described below) will be increased by 3.0%, while payments for those HHAs that do not report quality data will be increased 1%.

Background

Section 5201 of the Deficit Reduction Act (DRA) requires that Medicare home health payments be updated by the applicable market basket percentage increase for CY 2008. CR 5879, from which this article is taken announces that this increase for CY 2008 is 3.0% (effective January 1, 2008).

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CR 5879 also announces that the Centers for Medicare & Medicaid Services (CMS) is revising:

- The fixed dollar loss ratio (which is used in the calculation of outlier payment) from 0.67 in CY 2007 to 0.89 for CY 2008. The loss-sharing ratio of 0.80 remains unchanged.
- The labor and non-labor percentages applied in the wage-index adjustment (in addition to the new case-mix adjustment that will be applied to 60-day episode payments).

The labor portion applied will be .77082, and the non-labor portion applied will be .22918. The labor adjustment to the PPS rates will continue to be based on the site of service of the beneficiary as set forth in 42 CFR 484.220 and 484.230.

Notes: The labor adjustment is applied to both 60-day episode and per-visit payments and the CY 2008 payment rates apply to episodes that end on or after January 1, 2008, and before January 1, 2009.

CR 5879 also discusses the HHAs' reporting of quality data.

Section 5201 of the DRA also requires that HHAs report quality data (as determined by the Secretary of Health and Human Services (HHS)), or be subject to a 2% reduction to the home health market basket percentage increase applicable to HH PPS payments for CY 2008 (as described above).

The following sets of tables display the payments to HHAs that do report the required quality data (tables 1, 2, and 3), and to those that do not (tables 4, 5, and 6).

Payments to HHAs that do report required quality data

1. National Standardized 60-Day Episode Payment Rate for Episodes Beginning in CY 2007 and Ending in CY 2008 Made To HHAs That Do Report Quality Data

The annual CY 2008 update is for all episodes that end on, or after, January 1, 2008 and before January 1, 2009. Therefore, for episodes that begin in CY 2007 and end in CY 2008, the new 153 home health resource group (HHRG) case-mix model (and associated Grouper) will not yet be in effect; and these episodes will be paid at the rate of \$2,337.06, and be further adjusted for wage differences and for case-mix, based on the CY 2007, 80 HHRG case-mix model.

This payment methodology appropriately recognizes (by paying \$2,337.06 for episodes that begin in CY 2007 and end in CY 2008) that these episodes are entitled to receive the CY 2008 home health market, even though the new case-mix model will not yet be in effect. This payment is displayed in Table 1.

Table 1
National Standardized 60-Day Episode Payment Rate for Episodes Beginning in CY 2007 and Ending in CY 2008 (HHAs That Report Quality Data)

Total CY 2007 National Standardized 60-Day Episode Payment Rate	Multiply by the Home Health Market Basket Update (3.0 Percent)	Reduce by 2.75 Percent for Nominal Change in Case-Mix	Adjusted to Account for the 5 Percent Outlier Policy	National Standardized 60-Day Episode Payment Rate for Episodes Beginning in CY 2007 and Ending in CY 2008
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\$2,339.00	X 1.030	X 0.9725	X 1.05 X 0.95	\$2,337.06
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2. CY 2008 National Standardized 60-Day Episode Payment Rate for Episodes Beginning and Ending in CY 2008

In order to establish new rates based on a new case-mix system, the CY 2007 national standardized 60-day episode payment rate is increased by the rebased and revised home health market basket update (3.0%) (\$2,339.00 multiplied by 1.030 = \$2,409.17). The dollars associated with the outlier targeted estimates are then put back into the base rate.

In the July 3, 2000 HH PPS final rule (65 FR 41184), the base rate was divided by 1.05 to account for the outlier target policy (multiplying the \$2,409.17 by 1.05, resulting in \$2,529.63). This amount is then reduced to pay for each of CMS final policies (as noted previously, based upon the change to the low utilization payment adjustments (LUPA) payment, the non-routine supplies (NRS) redistribution, and the elimination of the Significant Change In Condition (SCIC) policy, the amounts needed to account for outlier payments, and the reduction to account for the 2.75% case-mix change adjustment). Therefore, the national standardized 60-day episode payment rate is reduced by \$5.51, \$44.38, \$10.61, \$123.09, and \$75.72, respectively; and the CY 2008 updated national standardized 60-day episode payment rate, for episodes beginning and ending in CY 2008, is \$2,270.32. These episodes would be further adjusted for case-mix based on the 153 HHRG case-mix model for episodes beginning and ending in CY 2008. As noted in the August 29, 2007 final rule with comment, the case-mix weights were increased by a budget neutrality factor of 1.238848031. This payment is displayed in Table 2.

Table 2
CY 2008 National Standardized 60-Day Episode Payment Rate for Episodes Beginning and Ending in CY 2008 (HHAs That Report Quality Data)

Total CY 2007 National Standardized 60-Day Episode Payment Rate	Multiply by the Home Health Market Basket Update 3.00 Percent)	Adjusted to Return the Outlier Funds to the National Standardized 60-Day Episode Payment Rate	Updated and Outlier Adjusted National Standardized 60-Day Episode Payment	Changes to Account for LUPA Adjustment (\$5.51), NRS Payment (\$44.38), Elimination of SCIC Policy (\$10.61), Outlier Policy (\$123.09), and 2.75 Percent Reduction for Nominal Change in Case-Mix (\$75.72) for Episodes Beginning and Ending in CY 2008	CY 2008 National Standardized 60-Day Episode Payment Rate for Episodes Beginning and Ending in CY 2008
\$2,339.00	X 1.030	X 1.05	\$2,529.63	- \$259.31	\$2,270.32

3. Low Utilization Payment Adjustments (LUPAs) and Outlier Payments.

The national standardized per-visit amounts are used to calculate LUPAs and outlier payments. These payments are displayed in Table 3.

Table 3
Low Utilization Payment Adjustments (LUPAs) and Outlier Payments (HHAs That Report Quality Data)

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Home Health Discipline Type	Final CY 2007 Per-Visit Amounts Per 60-Day Episode for LUPAs	Multiply by the Home Health Market Basket (3.0 Percent)	Adjusted to Account for the 5 Percent Outlier Policy	CY 2008 Per-Visit Payment Amount Per Discipline
Home Health Aide	\$46.24	X1.030	X 1.05 X 0.95	\$47.51
Medical Social Services	\$163.68	X1.030	X 1.05 X 0.95	\$168.17
Occupational Therapy	\$112.40	X1.030	X 1.05 X 0.95	\$115.48
Physical Therapy	\$111.65	X1.030	X 1.05 X 0.95	\$114.71
Skilled Nursing	\$102.11	X1.030	X 1.05 X 0.95	\$104.91
Speech-Language Pathology	\$121.32	X1.030	X 1.05 X 0.95	\$124.65

Payments to HHAs that do not report required quality data.

The DRA provides that if an HHA does not submit the required quality data, the home health market basket percentage increase applicable to that provider's payments will be reduced by 2%. Therefore, the increase that is applied to CY 2008 payments to HHAs that do not report the required quality data is 1.0% (CY 2008 market basket update of 3.0% minus 2%).

1. 60-day national episode payment made to HHAs that do not report the required quality data for episodes that begin in CY 2007 and end in CY 2008

Table 4 displays the 60-day national episode payment made to HHAs that do not report the required quality data for episodes that begin in CY 2007 and end in CY 2008.

Table 4
60-Day National Episode Payment for Episodes That Begin in CY 2007 and End in CY 2008
(HHAs That Do Not Report the Required Quality Data)

Total CY 2007 National Standardized 60-Day Episode Payment Rate	Multiply by the Home Health Market Basket Update (3.0 Percent) Minus 2 Percent	Reduce by 2.75 Percent for Nominal Change in Case-Mix	Adjusted to Account for the 5 Percent Outlier Policy	National Standardized 60-Day Episode Payment Rate for Episodes Beginning in CY 2007 and Ending in CY 2008 for HHAs That Do Not Submit Required Quality Data
\$2,339.00	X 1.010	X 0.9725	X 1.05 X 0.95	\$2,291.68

2. The 60-day national episode payment made to HHAs that do not report the required quality data for episodes that begin and end in CY 2008

Table 5 displays the 60-day national episode payment made to HHAs that do not report the required quality data for episodes that begin and end in CY 2008.

Table 5
The 60-Day National Episode Payment for Episodes That Begin and End in CY 2008

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(HHAs That Do Not Report the Required Quality Data)

Total CY 2007 National Standardized 60-Day Episode Payment Rate	Multiply by the Home Health Market Basket Update (3.0 Percent) minus 2.0 percent	Adjusted to Return the Outlier Funds to the National Standardized 60-Day Episode Payment Rate	Updated and Outlier Adjusted National Standardized 60-Day Episode Payment	Changes to Account for LUPA Adjustment (\$5.51), NRS Payment (\$44.38), Elimination of SCIC Policy (\$10.61), Outlier Policy (\$123.09), and 2.75 Percent Reduction for Nominal Change in Case-Mix (\$75.72) = \$259.31 ; Minus 2 Percentage Points off of the Home Health Market Basket Update (3.0 Percent) ¹ for Episodes Beginning and Ending in CY 2008	CY 2008 National Standardized 60-Day Episode Payment Rate for Episodes Beginning and Ending in CY 2008 that do not submit required quality data
\$2,339.00	X 1.010	X 1.05	\$2,480.51	- \$254.27	\$2,226.24

3. The per-visit amounts applied to LUPA and outlier payments to HHAs that do not report the quality data

Table 6 displays the per-visit amounts applied to LUPA and outlier payments to HHAs that do not report the quality data.

Table 6
The Per-Visit Amounts Applied to LUPA and Outlier Payments
(HHAs That Do Not Report the Required Quality Data)

Home Health Discipline Type	Final CY 2007 Per-Visit Amounts Per 60-Day Episode for LUPAs	Multiply by the Home Health Market Basket (3.0 Percent) ¹ minus 2.0 percent	Adjusted to Account for the 5 Percent Outlier Policy	CY 2008 Per-Visit Payment Amount Per Discipline for A Beneficiary Who Resides In A Non-MSA For HHAs That Do Not Submit Required Quality Data
Home Health Aide	\$46.24	X1.010	X 1.05 X 0.95	\$ 46.59
Medical Social Services	\$163.68	X1.010	X 1.05 X 0.95	\$ 164.90
Occupational Therapy	\$112.40	X1.010	X 1.05 X 0.95	\$ 113.24
Physical Therapy	\$111.65	X1.010	X 1.05 X 0.95	\$ 112.48
Skilled Nursing	\$102.11	X1.010	X 1.05 X 0.95	\$ 102.87
Speech-Language Pathology	\$121.32	X1.010	X 1.05 X 0.95	\$ 122.23

Note: Your RHHI will contact you if you are to receive reduced payments for CY 2008.

Additional Information

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You can find more information about the updates to the CY 2008 60-day national episode and per-visit payment rates under the HH PPS, the refined case mix methodology; and the rebased and revised home health market basket for CY 2008 by going to CR 5879, located at <http://www.cms.hhs.gov/Transmittals/downloads/R1443CP.pdf> on the CMS website.

If you have any questions, please contact your RHHI or A/B MAC at their toll-free number, which may be found at <http://www.cms.hhs.gov/MLNProducts/downloads/CallCenterTollNumDirectory.zip> on the CMS website.

News Flash - **It's Not Too Late to Give and Get the Flu Shot!** In the U.S., the peak of flu season typically occurs anywhere from late December through March; however, flu season can last as late as May. Each office visit presents an opportunity for you to talk with your patients about the importance of getting an annual flu shot and a one time pneumococcal vaccination. Protect yourself, your patients, and your family and friends by getting and giving the flu shot. **Don't Get the Flu. Don't Give the Flu. Get Vaccinated!** Remember - Influenza and pneumococcal vaccinations and their administration are covered Part B benefits. Note that influenza and pneumococcal vaccines are NOT Part D covered drugs. You and your staff can learn more about Medicare's coverage of adult immunizations and related provider education resources, by reviewing Special Edition MLN Matters article SE0748 at <http://www.cms.hhs.gov/MLNMattersArticles/downloads/SE0748.pdf> on the CMS website.

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