1. Introduction to the HH PPS PC Pricer

1.1 Background on HH PPS

The Balanced Budget Act of 1997 and subsequent legislation called for the creation of a prospective payment system (PPS) for home health agencies. The law required that all payments for home health services under a physician's plan of care on or after October 1, 2000 be made under this system. Among other provisions, the law:

- Required payment be made on the basis of a prospective amount;
- Allowed the Secretary of the Department of Health and Human Services to determine a new unit of payment;
- Required the new unit of payment to reflect different patient-related conditions (case mix) and wage adjustments;
- Allowed for cost outliers (supplemental payment for exceptional high-cost cases); and
- Required proration of the payment when a beneficiary chooses to transfer among home health agencies (HHAs) within an episode.

In July 2000, the Centers for Medicare and Medicaid Services (CMS), then known as the Health Care Financing Administration (HCFA), published the final regulations for the home health prospective payment system (HH PPS). These regulations provided for the following:

- The unit of payment that is a 60 day episode;
- Each episode is anticipated to be paid in two split payments, one billed on a Request for Anticipated Payment (RAP) at the beginning of the episode and one on a claim at the end of the episode;
- Only claims provide line-items detailing the individual services delivered;
- Home Health Resources Groups (HHRGs), also called HRGs, represented by HIPPS coding on claims, are the basis of payment for each episode; HHRGs are produced through publicly available Grouper software that determines the appropriate HHRG when results of comprehensive assessments of the beneficiary (made incorporating the OASIS data set) are input or "grouped" in this software;

- HHRGs can be changed mid-episode if there is a significant change in a patient's condition (SCIC adjustment);

- Episodes can be truncated and given partial episode payments (PEP adjustment) if beneficiaries choose to transfer among HHAs or if a patient is discharged and subsequently readmitted during the same 60 day period;

- There are also reducing adjustments in payment when the number of visits provided during the episode fall below a certain threshold (low utilization payment adjustments: LUPAs);

- There are downward adjustments in HHRGs if the number of therapy services delivered during an episode does not meet anticipated thresholds-- therapy threshold;

- There are cost outliers, in addition to episode payments; and

- Payments are case-mix and wage adjusted.

In August 2007, CMS issued final regulations refining the HH PPS system. These regulations are effective for HH PPS episodes beginning in calendar year 2008. Key features of these refinements included:

- a new set of HHRGs based on a four-equation case-mix model, with a corresponding new set of HIPPS codes;

- a separate payment adjustment to account for variations in non-routine supply costs;

- multiple therapy thresholds, with payment adjustments to account for both increases and decreases from the expected number of therapies;

- an add-on payment for LUPA claims that are the first or only episodes in a sequence of episodes; and

- the elimination of the significant change in condition (SCIC) policy.

All of the HH PPS payment adjustments that were defined in this final regulation are calculated in a Pricer software module that is executed in the claims processing system of the Medicare contractors responsible for home health claims. This manual assumes users of the PC Pricer have a basic familiarity with HH PPS payment policies. For more complete background information on HH PPS payment policies and claims processing, refer to the Medicare Claims Processing Manual, chapter 10, section 10. For more detailed information on the mainframe Pricer, refer to section 70 of the same manual.

1.2 Purpose and Features of the HH PPS PC Pricer

The HH PPS PC Pricer is a tool to assist home health agencies (HHAs) and other interested parties in determining the Medicare payment for a particular episode of home health care. HHAs may wish to use this software to:

- predict the payment for services they plan to provide,
- calculate the payment they will receive for a particular claim, in order to accurately post accounts receivable, or
- to validate that they have received correct payment for a claim upon receipt of their Medicare remittance advice.

An advantage of the PC Pricer for these functions is that it contains and applies precisely the same logic that Medicare contractors use in their claims system. As a result, HHAs can be sure that the payment calculations reflect current Medicare payment policies exactly. It should be noted, though, that certain payment adjustments that may occur in the Medicare contractor system are not accounted for in the PC Pricer, such as additional payments for Durable Medical Equipment (DME) items, or the calculation of payments if Medicare is the secondary payer.

The PC Pricer calculates payments for both RAPs and claims, requiring the key entry of only the limited information required to arrive at an accurate payment. Once this information is entered, the software immediately displays a screen that shows the total payment for the claim, detailed components of the payment including the wage index applied and individual line item payments, and a message explaining the basis of the payment calculation. The software also creates a printed report of this information if hard copy documentation of a payment calculation is desired.

1.3 History of CMS PC Pricers

HH PPS is one in a series of Medicare prospective payment systems required by law. The first PPS, for inpatient hospital services, was implemented in 1983. Soon thereafter CMS (then HCFA) recognized the need of providers to understand and validate their PPS payments and created the first PC Pricer. The Inpatient PPS PC Pricer has been updated annually since the 1980s and is the model upon which subsequent PC Pricers are based. The second PC Pricer was developed in 1999, following the implementation of the PPS for skilled nursing facilities. Immediately following the implementation of HH PPS in October 2000, development began for the HH PPS PC Pricer and the first version of the software was released in May 2001. PC Pricers have been made available for other Medicare PPSs which were implemented since 2001.

1.4 Using this manual

The remainder of this manual is divided into three sections, corresponding to three basic questions about how to use this software. Instructions in Chapter 2, on installation, must

be read and followed first and in sequence in order to avoid installation errors that will prevent the PC Pricer from functioning properly. Once the software is installed, most subsections of Chapters 3 and 4 are freestanding instructions in how to perform a specific task. Chapter 3 contains a subsection that provides definitions of the fields of the screens used to complete the tasks it describes. When first using the manual it may be helpful to familiarize yourself with these field definitions first, and then use the definition sections as a reference as you learn different tasks. Screen images that display the result of the instructions in each subsection are also provided. Copying these sample screens can provide a "shortcut" method to hands-on learning of the steps required to perform a task.