

MLN Matters Number: MM5423

Related Change Request (CR) #: 5423

Related CR Release Date: December 15, 2006

Effective Date: January 1, 2007

Related CR Transmittal #: R2530TN

Implementation Date: January 2, 2007

Medicare Home Health Prospective Payment System (HH PPS) Rate Update for Calendar Year (CY) 2007

Provider Types Affected

Home health agencies submitting claims to Medicare contractors (Fiscal Intermediaries (FIs), Part A/B Medicare Administrative Contractors (A/B MAC s), and/or Regional Home Health Intermediaries (RHHIs)) for services provided to Medicare beneficiaries.

Provider Action Needed



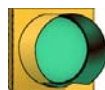
STOP – Impact to You

This article is based on Change Request (CR) 5423 which announces the Medicare Home Health Agency (HHA) Prospective Payment System (PPS) update for Calendar Year (CR) 2007.



CAUTION – What You Need to Know

HHAs that report the quality data will receive a 3.3 percent increase in payments for CY 2007, while HHAs that do not report the quality data will receive a 2 percent reduction to the 3.3 percent increase in payments for CY 2007.



GO – What You Need to Do

See the Background and Additional Information Sections of this article for further details, including 2007 payment rates

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Background

The Deficit Reduction Act (DRA; Section 5201) provides that Medicare home health payments be updated by the applicable home health market basket percentage increase for CY 2007, and the DRA requires that home health agencies (HHAs) report such quality data as determined by the Secretary. HHAs that do not report the required quality data receive a 2 percent reduction to the home health market basket percentage increase. For CY 2007, the applicable home health market basket percentage increase is 3.3 percent.

The one-year transition policy of using 50 percent of the metropolitan statistical area (MSA) based and 50 percent of the CBSA-based wage index expires at the end of CY 2006. For CY 2007, the Centers for Medicare & Medicaid Services (CMS) is using the core based statistical area (CBSA) wage index only. CMS is also revising the fixed dollar loss ratio, which is used in the calculation of outlier payments, from 0.65 in CY 2006 to 0.67 for CY 2007.

The labor adjustment to the Prospective Payment System (PPS) rates will continue to be based on the site of service of the beneficiary as set forth in the 42 CFR at 484.220 and 484.230 (<http://www.gpoaccess.gov/cfr/retrieve.html>). The case mix adjustment is applied to 60-day episode payments, and the labor adjustment is applied to both 60-day episode and per-visit payments.

The CY 2007 payment rates apply to episodes that end on or after January 1, 2007, and before January 1, 2008.

The following four tables show the payments to HHAs that do report the required quality data.

CY 2006 national 60-day episode payment	3.3 percent update	CY 2007 national 60-day episode payment
\$ 2,264.28	x 1.033	\$2,339.00

The national standardized per-visit amounts are used to calculate low utilization payment adjustments (LUPAs) and outlier payments. The national per-visit amounts are as follows:

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Home Health Discipline	CY 2006 per-visit payments	3.3 percent update	CY 2007 per-visit payments
Home Health Aide	\$ 44.76	x 1.033	\$ 46.24
Medical Social Services	\$158.45	x 1.033	\$163.68
Occupational Therapy	\$108.81	x 1.033	\$112.40
Physical Therapy	\$108.08	x 1.033	\$111.65
Skilled Nursing	\$ 98.85	x 1.033	\$102.11
Speech-Pathology	\$117.44	x 1.033	\$121.32

Section 5201 of the DRA provides for a 5 percent payment increase for home health services furnished in a rural (non-CBSA) area for episodes and visits that begin on or **after January 1, 2006 and before January 1, 2007**. While the rural add-on primarily affects those episodes paid based on CY 2006 rates, it also affects a number of CY 2007 episodes.

CY 2007 national 60-day episode payment	Rural add-on	CY 2007 60-day episode payment for rural areas
\$ 2,339.00	x 1.05	\$2,455.95

The per-visit amounts applied to LUPA and outlier payments for services furnished in rural areas are as follows:

Home Health Discipline	CY 2007 per-visit amounts	Rural add-on	CY 2007 per-visit amounts for rural areas
Home Health Aide	\$ 46.24	X 1.05	\$ 48.55
Medical Social Services	\$163.68	X 1.05	\$171.86
Occupational Therapy	\$112.40	X 1.05	\$118.02
Physical Therapy	\$111.65	X 1.05	\$117.23
Skilled Nursing	\$102.11	X 1.05	\$107.22
Speech-Pathology	\$121.32	X 1.05	\$127.39

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The following tables show the payments to HHAs that do not report the required quality data.

The DRA provides that if the required quality data is not submitted by an HHA, then the home health market basket percentage increase applicable to that provider's payments will be reduced by 2 percent. Therefore, the increase that is applied to CY 2007 payments to HHAs that do not report the required quality data is 1.3 percent (CY 2007 market basket update of 3.3 percent minus 2 percent). The rural add-on also applies to payments for services furnished in rural (non-CBSA) areas to HHAs that do not report the quality data. Again, the rural add-on applies to episodes that **begin** on or after January 1, 2006 and before January 1, 2007.

CY 2006 national 60-day episode payment	1.3 percent update	CY 2007 60-day episode payment	Rural add-on	CY 2007 60-day episode payment for rural areas
\$ 2,264.28	X 1.013	\$2,293.72	x 1.05	\$2,408.41

The per-visit amounts applied to LUPA and outlier payments to HHAs that do not report the quality data are as follows:

Home Health Discipline	CY 2006 per-visit amounts	Update d by 1.3 percent	CY 2007 per-visit amounts	Rural add-on	CY 2007 per-visit amounts for rural areas
Home Health Aide	\$ 44.76	x 1.013	\$ 45.34	x 1.05	\$ 47.61
Medical Social Services	\$158.45	x 1.013	\$160.51	x 1.05	\$168.54
Occupational Therapy	\$108.81	x 1.013	\$110.22	x 1.05	\$115.73
Physical Therapy	\$108.08	x 1.013	\$109.49	x 1.05	\$114.96
Skilled Nursing	\$ 98.85	x 1.013	\$100.14	x 1.05	\$105.15
Speech-Pathology	\$117.44	x 1.013	\$118.97	x 1.05	\$124.92

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Additional Information

For complete details, please see the official instruction, CR5423, issued to your FI, RHHI, or A/B MAC regarding this change. That instruction may be viewed at <http://www.cms.hhs.gov/Transmittals/downloads/R253OTN.pdf> on the CMS website.

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

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