



DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Blvd.
Baltimore, Maryland 21244
HEALTH PLAN BENEFITS GROUP

DATE: May 15, 2004

TO: Medicare Cost Plans
Health Care Prepayment Plans

FROM: Patricia P. Smith /s/
Director

SUBJECT: Cost Reporting and Home Health Claims

Section 4603 of the Balanced Budget Act of 1997 required CMS to change the way it pays home health agencies under Medicare. Effective October 1, 2000, CMS began reimbursing home health agencies under a new home health prospective payment system (PPS). Implementation of the new home health PPS is intended to remove the inefficiencies, waste and abuse that were present in the old cost-based home health reimbursement system. Additionally, section 1842(b)(6)(F) of the Act requires CMS to pay for all home health services under the new home health PPS system.

42 CFR 417.532(c) discusses the billing “options” available to §1876-cost contracting HMOs/CMPs. [Such “options” are not available to HCPPs, since HCPPs can only be reimbursed for Part B services - §1833(a)(1)(A) of the Act.] Under billing “option 1,” §1876 cost-contracting HMOs/CMPs are not reimbursed by CMS for Part A or Part B costs that their Medicare members incur in hospitals and SNFs – rather, CMS pays hospitals and SNFs directly for covered services provided to cost enrollees. Additionally, in section 300 of Chapter 17b of the Medicare Managed Care Manual we discuss special billing procedures for certain Medicare services that are always billed to the FFS contractor regardless of the billing “option” elected by the §1876-cost contracting HMO/CMP. We believe that with the advent of home health PPS, we are justified in moving home health services into the same category as other services mentioned in section 300 of Chapter 17b as being exempt from cost-reimbursement under the §1876 program and also under the §1833 HCPP program.

Therefore, we will add “home health services received on or after January 1, 2004,” to the list of “excluded” services in section 300 of Chapter 17b of the Medicare Managed Care Manual. Effective immediately, cost HMOs/CMPs and HCPPs should stop reimbursing home health agencies for Medicare-covered home health services. For services received January 1, 2004, and later, cost HMOs/CMPs and HCPPs should request refunds from home health agencies, to the extent that they have paid for services that are to be reimbursed under home health PPS. Finally, home health agencies should bill their appropriate home health intermediary for these services.

If you have any questions regarding this letter, please contact Peter Castellano (410) 786-0669, or Frank Szefflinski (303) 844-7119.