



Related MLN Matters Article #: MM4186

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MMA – Update to the Prospective Payment System (PPS) for Home Health Agencies (HHAs) for Calendar Year (CY) 2006

Key Words

MM4186, CR4186, R764CP, PPS, HHA, Update, Market, Basket, Home, Health, Rates, 60-day, Episode, Payment, MSA, Transition, Wage, Index, Labor, MMA

Provider Types Affected

Home health agencies (HHAs) billing Medicare regional home health intermediaries (RHHIs)

Key Points

- The effective date of the instruction is January 1, 2006.
- The implementation date is January 3, 2006.
- The Social Security Act (Section 1895) provides for an annual update to the Home Health Prospective Payment System (HH PPS) payment amounts in a prospective manner specified by the Centers for Medicare & Medicaid Services (CMS).
- The Medicare Prescription Drug Improvement and Modernization Act of 2003 (MMA, Section 701(b)) provides for a payment update change to the HH PPS based on the home health market basket percentage increase minus 0.8 percent beginning with the last three calendar quarters of 2004 and continuing through 2006.
- CMS published the HH PPS annual update Final Rule in the Federal Register on November 9, 2005, (http://www.access.gpo.gov/su_docs/fedreg/frcont05.html) and CR4186 directs RHHIs to implement the calendar year (CY) 2006 annual update for the HH PPS.
- The HH PPS rates are the national 60-day episode and the national per-visit amounts by discipline used to calculate the low utilization payment adjustment and the outlier payment.
- MM4186 and related CR4186 provide the first update of the HH PPS rates that uses the Office of Management and Budget (OMB) announced revised area labor market Metropolitan Statistical Area (MSA) designations for CY 2006.
- In implementing the new area labor market designations, CMS is allowing for a one-year transition period.

- This transition consists of a blend of 50 percent of the new area labor market designations' wage index and 50 percent of the old area labor market designations' wage index.
- The fixed dollar loss (FDL) ratio, used in the determination of outlier payments, is being re-estimated to 0.65 based on the most recent available data.
- These changes are described in detail in the Final Rule and implemented through the Home Health Pricer software found in the Medicare claims processing system used by the provider's RHHI.
- Providers should submit the Core-Based Statistical Area (CBSA) code or special wage index code corresponding to the state and county of the beneficiary's home in value code 61 on HHA Request for Anticipated Payments and claims.
- Providers serving beneficiaries in counties that are eligible for a special wage index are reminded to use the codes in the 50xxx range (as shown in the Federal Register) to determine the code to report in value code 61.
- Providers should use the Federal Register table associating states and counties to CBSA codes (in the range of 10020-49780 and 999xx rural state codes) to determine the code to report in value code 61.

Important Links

<http://cms.hhs.gov/MLNMattersArticles/downloads/MM4186.pdf>

<http://cms.hhs.gov/Transmittals/downloads/R764CP.pdf>