



Related MLN Matters Article #: MM5879

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

Key Words

MM5879, CR5879, R1443CP, HH, PPS, Prospective

Provider Types Affected

Home Health Agencies (HHAs) who bill Regional Home Health Intermediaries (RHHIs) or Part A/B Medicare Administrative Contractors (A/B MACs) for services provided to Medicare beneficiaries

Key Points

- The effective date of the instruction is January 1, 2008.
- The implementation date is March 7, 2008.
- Section 5201 of the Deficit Reduction Act (DRA) requires that Medicare HH payments be updated by the applicable market basket percentage increase for CY 2008.
- Change Request (CR) 5879 announces that this increase for CY 2008 is 3.0% (effective January 1, 2008).
- CR5879 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.

Note: 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.

- CR5879 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), 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 sets of tables that start on page 2 of MLN Matters article MM5879 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 HH resource group (HHRG) case-mix model (and associated Grouper) will not yet be in effect. 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 HH market, even though the new case-mix model will not yet be in effect. This payment is displayed in Table 1 in MM5879.

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 redistribution, the elimination of the Significant Change In Condition 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.
- 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 in MM5879.

3. 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 in MM5879.

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 in MM5879 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.
 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 in MM5879 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.
 3. **The per-visit amounts applied to LUPA and outlier payments to HHAs that do not report the quality data**
 - Table 6 in MM5879 displays the per-visit amounts applied to LUPA and outlier payments to HHAs that do not report the quality data.

Note: The providers RHHI will contact them if they are to receive reduced payments for CY 2008.

Important Links

The related MLN Matters article can be found at <http://www.cms.hhs.gov/MLNMattersArticles/downloads/MM5879.pdf> on the CMS website.

The official instruction (CR5879) regarding this change may be viewed at <http://www.cms.hhs.gov/Transmittals/downloads/R1443CP.pdf> on the CMS website.

Providers 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 CR5879

If providers have questions regarding this issue, they may contact their 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.