

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
Centers for Medicare & Medicaid Services



**News Flash** – The “Home Health Prospective Payment System” fact sheet (revised January 2011), is now available in print format from the Medicare Learning Network®. This fact sheet is designed to provide education on the Home Health Prospective Payment System (HH PPS) including background information and consolidated billing requirements, coverage of HH services, elements of the HH PPS, and additional requirements. To place your order, visit <http://www.cms.gov/MLNGenInfo> on the Centers for Medicare & Medicaid Services (CMS) website, scroll down to “Related Links Inside CMS,” and select “MLN Product Ordering Page.”

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Related Change Request (CR) #: CR 7395

Related CR Release Date: May 6, 2011

Effective Date: January 1, 2010

Related CR Transmittal #: R2209CP

Implementation Date: October 3, 2011

## Corrections to Home Health Prospective Payment System (HH PPS) Outlier Limitation

### Provider Types Affected

Home Health Agencies (HHA) who bill Regional Home Health Intermediaries (RHHI) for services provided to Medicare beneficiaries are affected.

### Provider Action Needed



#### **STOP – Impact to You**

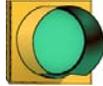
Because of an error in the calculation of the Home Health Prospective Payment System (HH PPS) 10 percent outlier limitation, the basic calculation of the outlier limitation since January 1, 2010, has been incorrect. As a result, your payment for Medicare home health services in 2010 may be incorrect.

#### Disclaimer

This article was prepared as a service to the public and is not intended to grant rights or impose obligations. This article may contain references or links to statutes, regulations, or other policy materials. The information provided is only intended to be a general summary. It is not intended to take the place of either the written law or regulations. We encourage readers to review the specific statutes, regulations and other interpretive materials for a full and accurate statement of their contents. CPT only copyright 2010 American Medical Association.

**CAUTION – What You Need to Know**

CR 7395, from which this article is taken, contains no new policy. It corrects errors in the calculation of the HH PPS 10 percent outlier limitation, instructs RHHs to perform claim adjustments to ensure provider payments are accurate, and expands the HH Pricer input record to allow for accurate calculation of the limit for HHAs with annual total Medicare payments over \$100 million.

**GO – What You Need to Do**

You should ensure that your billing staffs are aware of these changes in the HHS PPS payment system.

## Background

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A limitation on outlier payments under HH PPS was finalized in the 2010 HH PPS final rule. Under these requirements, during claims processing for each home health agency (HHA), Medicare systems accumulate both the overall total payments the HHA has received and the total outlier payments they have received. The totals are then compared to determine whether an HHA has been paid 10% of their total payments in outliers.

### *Error in Basic Limitation Calculation*

Based on the guidance in the preliminary instructions to the RHHs, the overall total HH PPS payment was derived by applying the sum of the payment amounts in value code 64 and 65 to the HHA's total for each processed claim. This assumed that the value code 64 and 65 amounts, which represent the Part A and Part B payments for each episode, included the outlier amount in their values. CMS has since learned that this assumption is not correct.

Specifically, the outlier amount shown on claims with value code 17 is not apportioned into the value code 64 and 65 amounts, but rather is apportioned into separate Part A and Part B outlier amounts in a separate process on the remittance advice. As a result, the basic calculation of the outlier limitation since January 1, 2010, has been in error. All HHAs' total payment amounts have been understated, and certain HHAs have had payments withheld as exceeding the outlier limitation in error and were underpaid for Medicare home health services in 2010.

CR 7395, from which this article is taken, corrects this error through the following guidance. Effective for dates of service on or after January 1, 2010, Medicare systems will apply the sum of the payment amounts in value codes 17, 64, and 65 on each processed claim to each HHA's year-to-date total HH PPS payment amount.

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### *Error in Process of Accumulating Totals*

CMS has also identified a problem in the timing of updating the outlier totals. Currently, a provider's year-to-date outlier payment totals, and overall payment totals, are not updated with claims containing outlier payments until all the claims in a daily processing batch are finalized in Medicare's Fiscal Intermediary Shared System (FISS). This means that if multiple claims qualifying for outlier payment are processed in the same daily batch of claims, the outlier amount paid on the first claim is not reflected in the year-to-date totals when the next outlier claim is processed moments later in the same processing cycle. As a result, all claims processed in the same batch of claims would use the same year-to-date total amounts.

Thus, when multiple outlier claims are in the same batch, the Medicare systems are not identifying all of the claims that should be identified as exceeding the 10% outlier limitation; and HHAs are being overpaid. (CMS suspects that the overpayments resulting from this timing problem have, to some degree, counterbalanced the underpayments resulting from the error in the basic calculation, masking both problems for much of 2010).

The following guidance in CR 7395 addresses this issue by requiring Medicare systems to update the amounts used when each paid claim is processed to completion (rather than the current process of updating the totals once in a processing cycle), to revise the quarterly outlier reconciliation process to identify any overpayments that still result and correct them, and to create a detail file of outlier payments that each HHA can view.

Specifically, effective for claims with dates of service on or after January 1, 2010, Medicare systems will:

- Update each HHA's year-to-date outlier payments and year-to-date total HH PPS payment as each claim is processed in addition to the end of each processing day;
- When sending an HHA's PROV-OUTLIER-PAY-TOTAL and PROV-PAYMENT-TOTAL to the HH Pricer, Medicare will use the amounts updated by the most recent prior claim;
- Adjust outliers claims paid in excess of the 10% outlier limitation as part of quarterly HH outlier reconciliation process;
- Complete the current process of adjustments to claims with Pricer return code 02 before taking any steps to identify outlier claims paid in excess of the 10% limitation;
- Read each HHA's provider year-to-date outlier payment and total payment amount and identify any provider that has been paid more than 10% in outlier payments;
- For each identified HHA, calculate the dollar amount of outlier payments that has been paid in excess of 10%;
- For each identified HHA, create a report of outlier claims currently in paid claims history with outlier payments up to but not exceeding the dollar amount calculated; and

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- For each identified HHA, create a report of outlier claims currently in paid claims history with outlier payments up to, but not exceeding, the dollar amount calculated.

### ***Total Outlier Payment Field Size Limitation***

When the outlier limitation was initially implemented, the field that holds each provider's total year-to-date payments was created with eight positions to the left of the decimal point. This limits an HHA's total Medicare payments for the year to \$99,999,999.99. While this limitation does not create a problem for most HHAs, CMS has identified that there are HHAs with total payments in excess of \$100 million dollars. To ensure accurate processing of the outlier limitation for such HHAs, the field will be expanded to nine positions to the left of the decimal point.

### ***Correcting Outlier Payments to Date***

In order to correct the payment errors that have resulted from the problems described above, Medicare will adjust any claim paid for dates of service since January 1, 2010, for which an outlier payment was made or for which an outlier payment was calculated and withheld.

Specifically, effective for claims with dates of service on or after January 1, 2010, Medicare systems will:

- As of January 3, 2012, reprocess all HH PPS claims where the outlier limitation may have been applied in error; and
- Prior to adjusting any claims, add each HHA's year-to-date outlier payments to their year-to-date total HH PPS payment for calendar years 2010 (and 2011 to date), and add each HHA's year-to-date outlier payments to their year-to-date total HH PPS payment for calendar years 2010 and 2011 to date.

For most HHAs, this adjustment process will result in the correction of an underpayment; however for a few, the adjustments will result in the collection of any overpayment not offset by other underpayment amounts.

## **Additional Information**

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You can find the official instruction, CR 7395, issued to your RHHI by visiting <http://www.cms.gov/Transmittals/downloads/R2209CP.pdf> on the CMS website.

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

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