

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



News Flash – Hurry, time is running out! HIPAA Version 5010 and D.0 will be required to submit Medicare claims beginning Sunday, January 1, 2012! As of Sunday, January 1, 2012, Version 5010 and NCPDP D.0 will be required for all HIPAA standard transactions. Beginning Sunday, January 1, 2012, HIPAA Version 4010A1 will no longer be accepted by Medicare. All trading partners must operate in HIPAA Version 5010 and D.0. Providers should take advantage of the resources available on CMS' [ICD-10, Versions 5010 & D.0 & 3.0](#), and [Medicare Fee-For-Service 5010 - D0](#) web pages. It is essential to begin the transition now to prevent a disruption to your claims processing and cash flow.

MLN Matters® Number: MM7657 **Revised**

Related Change Request (CR) #: 7657

Related CR Release Date: November 23, 2011

Effective Date: January 1, 2012

Related CR Transmittal #: R2356CP

Implementation Date: January 3, 2012

Home Health Prospective Payment System Rate (HH PPS) Update for Calendar Year (CY) 2012

Note: This article was updated on August 2, 2012, to reflect current Web addresses. All other information remains the same.

Provider Types Affected

Home Health Agencies (HHAs) submitting claims to Fiscal Intermediaries (FIs), Regional Home Health Intermediaries (RHHIs), and A/B Medicare Administrative Contractors (A/B MACs) for Medicare beneficiaries are affected.

Provider Action Needed

This article informs you that Change Request (CR) 7657 directs Medicare contractors to update the 60-day national episode rates, national per-visit rates, Low Utilization Payment Adjustment (LUPA) add-on amount, and Non-Routine Supplies (NRS) payment amounts under the Home Health Prospective Payment System (HH PPS) for Calendar Year (CY) 2012. The information included below applies to Chapter 10, Section 10.1.6 of

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the “Medicare Claims Processing Manual”. Please be sure to inform your staff of the information in the background and policy sections below.

Background

The Affordable Care Act of 2010 mandated several changes to Section 1895(b) of the Social Security Act and hence the HH PPS Update for CY 2011.

Section 1895 (b)(3)(B)(v) of Social Security Act provides that Medicare home health payments be updated by the applicable market basket percentage increase for CY 2012. Section 3401(e) of the Affordable Care Act amended Section 1895(b)(3)(B) of the Social Security Act by adding a new clause (vi) which states, “After determining the home health market basket percentage increase ... the Secretary (of Health and Human Services) shall reduce such percentage ... for each of 2011, 2012, and 2013, by 1 percentage point.” The home health market basket percentage increase for CY 2012 is 2.4 percent. However, after reducing it by 1 percentage point as required by the Affordable Care Act, the CY 2012 HH PPS payment update percentage becomes 1.4 percent.

In addition, Section 1895 (b)(3)(B)(v) of the Social Security Act requires that Home Health Agencies (HHAs) report such quality data as determined by the Secretary. HHAs that do not report the required quality data will receive a 2 percent reduction to the home health market basket percentage increase of 2.4 percent. That percentage (0.4 percent) is further reduced by 1 percentage point as required by the Affordable Care Act, for a final HH PPS payment update of -0.6 percent for CY 2012 for HHAs that do not report the required quality data.

In addition, Section 3131(c) of the Affordable Care Act amended Section 421(a) of the Medicare Modernization Act (MMA), which was amended by Section 5201(b) of the Deficit Reduction Act. The amended Section 421(a) of the MMA provides an increase of 3 percent of the payment amount otherwise made under Section 1895 of the Social Security Act for home health services furnished in a rural area (as defined in Section 1886(d)(2)(D) of the Act), with respect to episodes and visits ending on or after April 1, 2010, and before January 1, 2016. The statute waives budget neutrality related to this provision, as the statute specifically states that the Secretary shall not reduce the standard prospective payment amount (or amounts) under Section 1895 of the Social Security Act applicable to home health services furnished during a period to offset the increase in payments resulting in the application of this section of the statute.

Policy Updates for CY2012

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1) Market Basket Update

The home health market basket percentage increase for CY 2012 is 2.4 percent. After reducing it by 1 percentage point as required by the Affordable Care Act, the CY 2012 HH PPS payment update percentage becomes 1.4 percent. HHAs that do not report the required quality data will receive a 2 percent reduction to the home health market basket update of 2.4 percent, further reduced by 1 percentage point per the Affordable Care Act, for a final HH PPS payment update of -0.6 percent for CY 2012.

2) Outlier payments

Section 3131(b) of the Affordable Care Act requires the following outlier policy:

- (1) Target to pay no more than 2.5 percent of estimated total payments for outliers and
- (2) Apply a 10 percent agency-level cap on outlier payments as a percentage of total HH PPS payments.

For CY 2012 and subsequent calendar years, the total amount of the additional payments or payment adjustments made may not exceed 2.5 percent of the total payments projected or estimated to be made based on the PPS in that year as required by Section 1895(b)(5)(A) of the Social Security Act as amended by Section 3131(b)(2)(B) of the Affordable Care Act. Per Section 3131(b)(2)(C) of the Affordable Care Act, outlier payments to HHAs will be capped at 10 percent of that HHA's total HH PPS payments.

The fixed dollar loss ratio of 0.67 and the loss-sharing ratio of 0.80, used to calculate outlier payments for CY 2011, remain unchanged for CY 2012.

3) Rural Add-on

As stipulated in Section 3131(c) of the Affordable Care Act, the 3 percent rural add-on is applied to the national standardized 60-day episode rate, national per-visit rates, LUPA add-on payment, and Non-routine Medical Supply (NRS) conversion factor when home health services are provided in rural (non-Core Based Statistical Area (CBSA)) areas.

4) Payment Calculations & Rate Tables

In order to calculate the CY 2012 national standardized 60-day episode payment rate, CMS will update the payment amount by the CY 2012 HH PPS payment update percentage of 1.4 percent (the 2.4 percent home health market basket update percentage minus 1 percentage point, per Section 3401(e)(2) of the Affordable Care Act).

CMS' updated analysis of the change in case-mix that is not due to an underlying change in patient health status reveals additional increase in nominal change in case-mix. Therefore, CMS will next reduce rates by 3.79 percent resulting in an updated

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CY 2012 national standardized 60-day episode payment rate. The updated CY 2012 national standardized 60-day episode payment rate for an HHA that submits the required quality data is shown in Table 1. These payments are further adjusted by the individual episode’s case-mix weight and wage index.

Table 1 - For HHAs that Do Submit Quality Data -- National 60-Day Episode Amounts Updated by the Home Health Market Basket Update for CY 2012 Before Case-Mix Adjustment, Wage Index Adjustment Based on the Site of Service for the Beneficiary

| Total CY 2011 National Standardized 60-Day Episode Payment Rate | Multiply by the CY 2012 HH PPS payment update percentage of 1.4 percent | Reduce by 3.79% for nominal change in case-mix | CY 2012 National Standardized 60-Day Episode Payment Rate |
|---|---|--|---|
| \$2,192.07 | X 1.014 | X 0.9621 | \$2,138.52 |

The updated CY 2012 national standardized 60-day episode payment rate for an HHA that does not submit the required quality data is subject to a HH PPS payment update percentage of 1.4 percent reduced by 2 percentage points as shown in Table 2. These payments are further adjusted by the individual episode’s case-mix weight and wage index.

Table 2 - For HHAs that Do Not Submit Quality Data -- National 60-Day Episode Payment Amount Updated by the Home Health Market Basket Update (minus 2 percentage points) for CY 2012 Before Case-Mix Adjustment and Wage Adjustment Based on the Site of Service for the Beneficiary

| CY 2011 National Standardized 60-Day Episode Payment Rate | Multiply by the CY 2012 HH PPS payment update percentage of 1.4 percent minus 2 percentage points (-0.6 percent) | Reduce by 3.79 percent for nominal change in case-mix | CY 2012 National Standardized 60-Day Episode Payment Rate. |
|---|--|---|--|
| \$2,192.07 | x 0.994 | X 0.9621 | \$2,096.34 |

In calculating the CY 2012 national per-visit rates used to calculate payments for LUPA episodes and to compute the imputed costs in outlier calculations, the CY 2011 national per-visit rates are updated by the CY 2012 HH PPS payment update percentage of 1.4 percent for HHAs that submit quality data, and by 1.4 percent minus 2 percentage points (-0.6 percent) for HHAs that do not submit quality data.

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The CY 2012 national per-visit rates per discipline are shown in Table 3. The six HH disciplines are as follows:

- Home Health Aide (HH aide);
- Medical Social Services (MSS);
- Occupational Therapy (OT);
- Physical Therapy (PT);
- Skilled Nursing (SN); and
- Speech Language Pathology Therapy (SLP).

Table 3 - National Per-Visit Amounts for LUPAs (Not including the LUPA Add-On Amount for a Beneficiary's Only Episode or the Initial Episode in a Sequence of Adjacent Episodes) and Outlier Calculations Updated by the HH PPS Payment Update Percentage, Before Wage Index Adjustment

| | | For HHAs that DO submit the required quality data | | For HHAs that DO NOT submit the required quality data | |
|-----------------------------|--|---|---------------------------|--|---------------------------|
| Home Health Discipline Type | CY 2011 Per-Visit Amounts Per 60-Day Episode | Multiply by the CY 2012 HH PPS payment update percentage of 1.4 percent | CY 2012 per-visit payment | Multiply by the CY 2012 HH PPS payment update percentage of 1.4 percent minus 2 percentage points (-0.6 percent) | CY 2012 per-visit payment |
| HH Aide | \$50.42 | X 1.014 | \$51.13 | X 0.994 | \$50.12 |
| MSS | \$178.46 | X 1.014 | \$180.96 | X 0.994 | \$177.39 |
| OT | \$122.54 | X 1.014 | \$124.26 | X 0.994 | \$121.80 |
| PT | \$121.73 | X 1.014 | \$123.43 | X 0.994 | \$121.00 |
| SN | \$111.32 | X 1.014 | \$112.88 | X 0.994 | \$110.65 |
| SLP | \$132.27 | X 1.014 | \$134.12 | X 0.994 | \$131.48 |

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LUPA episodes that occur as initial episodes in a sequence of adjacent episodes or as the only episode receive an additional payment. The per-visit rates noted above are before that additional payment is added to the LUPA amount. The CY 2012 LUPA add-on payment is updated in Table 4.

Table 4 – CY2012 LUPA Add-on Amounts

| | For HHAs that DO submit the required quality data | | For HHAs that DO NOT submit the required quality data | |
|-----------------------------------|--|-----------------------------------|---|-----------------------------------|
| CY 2011 LUPA Add-On Amount | Multiply by the CY 2012 HH PPS payment update percentage of 1.4 percent | CY 2012 LUPA Add-On Amount | Multiply by the CY 2012 HH PPS payment update percentage of 1.4 percent minus 2 percentage points (-0.6 percent) | CY 2012 LUPA Add-On Amount |
| \$93.31 | X 1.014 | \$94.62 | X 0.994 | \$92.75 |

Payments for NRS are computed by multiplying the relative weight for a particular NRS severity level by the NRS conversion factor. The NRS conversion factor for CY 2012 payments is updated in Table 5a.

Table 5a - CY 2012 NRS Conversion Factor for HHAs that DO Submit the Required Quality Data

| CY 2011 NRS Conversion Factor | Multiply by the CY 2012 HH PPS payment update percentage of 1.4 percent | CY 2012 NRS Conversion Factor |
|--------------------------------------|--|--------------------------------------|
| \$52.54 | X 1.014 | \$53.28 |

The payment amounts for the various NRS severity levels based on the updated conversion factor from Table 5a, above, are shown in Table 5b.

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Table 5b - Relative Weights for the 6-Severity NRS System for HHAs that DO Submit Quality Data

| Severity Level | Points (Scoring) | Relative Weight | NRS Payment Amount |
|----------------|------------------|-----------------|--------------------|
| 1 | 0 | 0.2698 | \$14.37 |
| 2 | 1 to 14 | 0.9742 | \$51.91 |
| 3 | 15 to 27 | 2.6712 | \$142.32 |
| 4 | 28 to 48 | 3.9686 | \$211.45 |
| 5 | 49 to 98 | 6.1198 | \$326.06 |
| 6 | 99+ | 10.5254 | \$560.79 |

The NRS conversion factor for HHAs that do not submit quality data is shown in Table 6a.

Table 6a - CY 2012 NRS Conversion Factor for HHAs that DO NOT Submit the Required Quality Data

| CY 2011 NRS Conversion Factor | Multiply by the CY 2012 HH PPS payment update percentage of 1.4 percent minus 2 percentage points (-0.6 percent) | CY 2012 NRS Conversion Factor |
|-------------------------------|--|-------------------------------|
| \$52.54 | X 0.994 | \$52.22 |

The payment amounts for the various NRS severity levels based on the updated conversion factor from Table 6a, above, are shown in Table 6b.

Table 6b - Relative Weights for the 6-Severity NRS System for HHAs that DO NOT Submit Quality Data

| Severity Level | Points (Scoring) | Relative Weight | NRS Payment Amount |
|----------------|------------------|-----------------|--------------------|
| 1 | 0 | 0.2698 | \$14.09 |
| 2 | 1 to 14 | 0.9742 | \$50.87 |
| 3 | 15 to 27 | 2.6712 | \$139.49 |
| 4 | 28 to 48 | 3.9686 | \$207.24 |

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| Severity Level | Points (Scoring) | Relative Weight | NRS Payment Amount |
|----------------|------------------|-----------------|--------------------|
| 5 | 49 to 98 | 6.1198 | \$319.58 |
| 6 | 99+ | 10.5254 | \$549.64 |

The 3 percent rural add-on, per Section 3131(c) of the Affordable Care Act, is applied to the national standardized 60-day episode rate, national per-visit rates, LUPA add-on payment, and NRS conversion factor when home health services are provided in rural (non-CBSA) areas. Refer to Tables 7 thru 10b for these payment rates.

Table 7 - CY 2012 Payment Amounts for 60-Day Episodes for Services Provided in a Rural Area Before Case-Mix and Wage Index Adjustment

| For HHAs that DO Submit Quality Data | | | For HHAs that DO NOT Submit Quality Data | | |
|---|--|---|---|--|---|
| CY 2012 National Standardized 60-Day Episode Payment Rate | Multiply by the 3 Percent Rural Add-On | Total CY 2012 National Standardized 60-Day Episode Payment Rate | CY 2012 National Standardized 60-Day Episode Payment Rate | Multiply by the 3 Percent Rural Add-On | Total CY 2012 National Standardized 60-Day Episode Payment Rate |
| \$2,138.52 | X 1.03 | \$2,202.68 | \$2,096.34 | X 1.03 | \$2,159.23 |

Table 8 - CY 2012 Per-Visit Amounts for Services Provided in a Rural Area, Before Wage Index Adjustment

| Home Health Discipline Type | For HHAs that DO submit quality data | | | For HHAs that DO NOT submit quality data | | |
|-----------------------------|---|--|--|---|--|--|
| | CY 2012 per-visit rate For HHAs that DO submit quality data | Multiply by the 3 Percent Rural Add-On | Total CY 2012 per-visit rate for Rural Areas | CY 2012 per-visit rate For HHAs that DO NOT submit quality data | Multiply by the 3 Percent Rural Add-On | Total CY 2012 per-visit rate for Rural Areas |
| HH Aide | \$51.13 | X 1.03 | \$52.66 | \$50.12 | X 1.03 | \$51.62 |
| MSS | \$180.96 | X 1.03 | \$186.39 | \$177.39 | X 1.03 | \$182.71 |
| OT | \$124.26 | X 1.03 | \$127.99 | \$121.80 | X 1.03 | \$125.45 |
| PT | \$123.43 | X 1.03 | \$127.13 | \$121.00 | X 1.03 | \$124.63 |
| SN | \$112.88 | X 1.03 | \$116.27 | \$110.65 | X 1.03 | \$113.97 |
| SLP | \$134.12 | X 1.03 | \$138.14 | \$131.48 | X 1.03 | \$135.42 |

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Table 9 - Total CY 2012 LUPA Add-On Amounts for Services Provided in Rural Areas

| For HHAs that DO submit quality data | | | For HHAs that DO NOT submit quality data | | |
|---|--|--|---|--|--|
| CY 2012 LUPA Add-On Amount For HHAs that DO submit quality data | Multiply by the 3 Percent Rural Add-On | Total CY 2012 LUPA Add-On Amount for Rural Areas | CY 2012 LUPA Add-On Amount For HHAs that DO NOT submit quality data | Multiply by the 3 Percent Rural Add-On | Total CY 2012 LUPA Add-On Amount for Rural Areas |
| \$94.62 | X 1.03 | \$97.46 | \$92.75 | X 1.03 | \$95.53 |

Table 10a - Total CY 2012 Conversion Factor for Services Provided in Rural Areas

| For HHAs that DO submit quality data | | | For HHAs that DO NOT submit quality data | | |
|--|--|---|--|--|---|
| CY 2012 Conversion Factor For HHAs that DO submit quality data | Multiply by the 3 Percent Rural Add-On | Total CY 2012 Conversion Factor for Rural Areas | CY 2012 Conversion Factor For HHAs that DO NOT submit quality data | Multiply by the 3 Percent Rural Add-On | Total CY 2012 Conversion Factor for Rural Areas |
| \$53.28 | X 1.03 | \$54.88 | \$52.22 | X 1.03 | \$53.79 |

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Table 10b - Relative Weights for the 6-Severity NRS System for Services Provided in Rural Areas

| Severity Level | Points (Scoring) | For HHAs that DO submit quality data (NRS Conversion Factor=\$54.88) | | For HHAs that DO NOT submit quality data (NRS Conversion Factor=\$53.79) | |
|----------------|------------------|--|--|--|--|
| | | Relative Weight | Total NRS Payment Amount for Rural Areas | Relative Weight | Total NRS Payment Amount for Rural Areas |
| 1 | 0 | 0.2698 | \$14.81 | 0.2698 | \$14.51 |
| 2 | 1 to 14 | 0.9742 | \$53.46 | 0.9742 | \$52.40 |
| 3 | 15 to 27 | 2.6712 | \$146.60 | 2.6712 | \$143.68 |
| 4 | 28 to 48 | 3.9686 | \$217.80 | 3.9686 | \$213.47 |
| 5 | 49 to 98 | 6.1198 | \$335.85 | 6.1198 | \$329.18 |
| 6 | 99+ | 10.5254 | \$577.63 | 10.5254 | \$566.16 |

These changes are to be implemented through the Home Health Pricer software found in the intermediary standard systems.

Additional Information

The official instruction, CR7657 issued to your FI, RHHI, or A/B MAC regarding this change may be viewed at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/downloads/R2356CP.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 at <http://www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/provider-compliance-interactive-map/index.html> on the CMS website.

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