

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



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- [“Quick Reference Information: Medicare Immunization Billing”](#), Educational Tool, ICN 006799, downloadable

MLN Matters® Number: MM8515

Related Change Request (CR) #: CR 8515

Related CR Release Date: November 22, 2013

Effective Date: January 1, 2014

Related CR Transmittal #:R2820CP

Implementation Date: January 6, 2014

Home Health Prospective Payment System (HH PPS) Rate Update for Calendar Year (CY) 2014

Provider Types Affected

This MLN Matters® Article is intended for physicians, providers and suppliers submitting claims to Medicare Administrative Contractors (MACs) for services to Medicare beneficiaries.

Provider Action Needed

This article is based on Change Request (CR) 8515, which informs MACs about the changes and updates to the 60-day national episode rates, the national per-visit amounts, low-utilization payment adjustment (LUPA) add-on amounts, and the non-routine medical supply payment amounts under the HH PPS for CY 2014. Make sure that your billing staffs are aware of these changes.

Background

Section 3131(a) of the Affordable Care Act mandates that, starting in CY 2014, the Secretary of Health and Human Services (HHS) must apply an adjustment to the national, standardized 60-day episode payment rate and other amounts applicable under section 1895(b)(3)(A)(i)(III) of the Act to reflect factors such as changes in the number of visits in an episode, the mix of services in an

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episode, the level of intensity of services in an episode, the average cost of providing care per episode, and other relevant factors. In addition, section 3131(a) of the Affordable Care Act mandates that this rebasing must be phased-in over a 4-year period in equal increments, not to exceed 3.5 percent of the amount (or amounts), as of the date of enactment, applicable under section 1895(b)(3)(A)(i)(III) of the Act, and be fully implemented by CY 2017.

Also, 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 (DRA). 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 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 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.

Market Basket Update

The home health (HH) market basket update for CY 2014 is 2.3 percent. Home Health Agencies (HHAs) that do not report the required quality data will receive a 2 percent reduction to the HH market basket update of 2.3 percent (0.3 percent) for CY 2014.

Note: All of the information provided below contains references to Tables. These tables can be found in the attachment contained in CR8515, available at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R2820CP.pdf> on the Centers for Medicare & Medicaid Services (CMS) website.

National, Standardized 60-Day Episode Payment

As described in the CY 2014 final rule, to determine the CY 2014 national, standardized 60-day episode payment rate, Centers for Medicare & Medicaid Services (CMS) starts with the CY 2013 estimated average payment per episode (\$2,952.03). CMS removes the 2.5 percent for outlier payments that was put back in the rates. Then CMS applies a standardization factor of 1.0026 to ensure budget neutrality in episode payments using the 2014 wage index. CMS then applies an \$80.95 reduction (which is 3.5 percent of the CY2010 national, standardized 60-day episode rate of \$2,312.94). Lastly, the national, standardized 60-day episode payment rate is updated by the CY 2014 HH market basket update of 2.3 percent for HHAs that submit the required quality data and by 0.3 percent for HHAs that do not submit quality data. The updated CY 2014 national standardized 60-day episode payment rate for HHAs that submit the required quality data is shown in Table 1 (see attachment) and for HHAs that do not submit the required quality data are shown in Table 4. These payments are further adjusted by the individual episode's case-mix weight and wage index.

National Per-Visit Rates

To calculate the CY 2014 national per-visit payment rates, CMS starts with the CY 2013 national per-visit rates. CMS applies a wage index budget neutrality factor of 1.0006 to ensure budget neutrality for

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LUPA per-visit payments after applying the CY 2014 wage index, and then applies the maximum rebasing adjustments to the 2013 outlier adjusted per-visit rates. The per-visit rates for each discipline are then updated by the CY 2014 HH market basket update of 2.3 percent for HHAs that submit the required quality data and by 0.3 percent for HHAs that do not submit quality data. The CY 2014 national per-visit rates per discipline for HHAs that submit the required quality data are shown in Table 3 and for HHAs that do **not** submit the required quality data are shown in Table 4 of CR8515.

Low-Utilization Payment Adjustment Add-On Payments

LUPA episodes that occur as initial episodes in a sequence of adjacent episodes or as the only episode receive an additional payment. Beginning in CY 2014, CMS will calculate the payment for the first visit in a LUPA episode by multiplying the per-visit rate by a LUPA add-on factor specific to the type of visit (skilled nursing, physical therapy, or speech-language pathology). The CY 2014 LUPA add-on adjustment factors are displayed in Table 5.

Non-Routine Supply Payments

Payments for non-routine supplies (NRS) are computed by multiplying the relative weight for a particular NRS severity level by the NRS conversion factor. To determine the CY 2014 NRS conversion factor, CMS starts with the CY 2013 NRS conversion factor (\$53.97) and apply a 2.82 percent rebasing adjustment calculated in the CY 2014 final rule ($1 - 0.0282 = 0.9718$). CMS then updates the conversion factor by the HH market basket update of 2.3 percent for HHAs that submit the required quality data and by 0.3 percent for HHAs that do not submit quality data. CMS does not apply a standardization factor as the NRS payment amount calculated from the conversion factor is not wage or case-mix adjusted when the final claim payment amount is computed. The NRS conversion factor for CY 2014 payments for HHAs that submit the required quality data is shown in Table 6a and the payment amounts for the various NRS severity levels are shown in Table 6b. The NRS conversion factor for CY 2014 payments for HHAs that do not submit quality data is shown in Table 7a and the payment amounts for the various NRS severity levels are shown in Table 7b.

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 payment rates, LUPA add-on payments, and the NRS conversion factor when home health services are provided in rural (non-CBSA) areas for episodes and visits ending on or after April 1, 2010, and before January 1, 2016. Refer to Tables 8 through 10b for the CY 2014 rural payment rates.

Additional Information

The official instruction, CR 8515, issued to your FI, RHHI, and A/B MAC regarding this change, may be viewed at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R2820CP.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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