



## Home Health Prospective Payment System (HH PPS) Rate Update for Calendar Year (CY) 2018

MLN Matters Number: MM10310

Related Change Request (CR) Number: 10310

Related CR Release Date: October 20, 2017

Effective Date: January 1, 2018

Related CR Transmittal Number: R3888CP

Implementation Date: January 2, 2018

### PROVIDER TYPE AFFECTED

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This MLN Matters Article is intended for Home Health Agencies (HHAs) billing Medicare Administrative Contractors (MACs) for services provided to Medicare beneficiaries.

### WHAT YOU NEED TO KNOW

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Change Request (CR) 10310 updates the 60-day national episode rates, the national per-visit amounts, Low Utilization Payment Adjustment (LUPA) add-on amounts, the non-routine medical supply payment amounts, and the cost-per-unit payment amounts used for calculating outlier payments under the HH PPS for Calendar Year (CY) 2018. Be sure your billing staffs are aware of these changes.

### BACKGROUND

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The CY 2018 HH PPS rate update includes the third year of a 3-year phase-in of a reduction to the national, standardized 60-day episode payment amount to account for estimated case-mix growth unrelated to increases in patient acuity (that is, nominal case-mix growth) between CY 2012 and CY 2014. The nominal case-mix growth reduction is 0.97 percent. The changes described in MM10310 are implemented through the Home Health Pricer software used by Medicare contractor standard systems.

#### Market Basket Update

Section 411(d) of the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) amended Section 1895(b)(3)(B) of the Social Security Act (the Act) such that, for home health payments for CY 2018, the market basket percentage increase shall be 1 percent. Section 1895(b)(3)(B) of the Act requires that the home health payment update be decreased by 2 percentage points for those HHAs that do not submit quality data as required by the Secretary of the Department of Health & Human Services (HHS). For HHAs that do not submit the

required quality data for CY 2018, the home health payment update would be -1 percent (1 percent minus 2 percentage points).

### **National, Standardized 60-Day Episode Payment**

As described in the CY 2018 HH PPS final rule, in order to calculate the CY 2018 national, standardized 60-day episode payment rate, the Centers for Medicare & Medicaid Services (CMS) applies a wage index budget neutrality factor of 1.0004 and a case-mix budget neutrality factor of 1.0160 to the previous calendar year's national, standardized 60-day episode rate. To account for nominal case-mix growth from CY 2012 to CY 2014, CMS applies a payment reduction of 0.97 percent to the national, standardized 60-day episode payment rate. Lastly, the national, standardized 60-day episode payment rate is updated by the CY 2018 HH payment update percentage of 1 percent for HHAs that submit the required quality data and by 1 percent minus 2 percentage points, or -1 percent, for HHAs that do not submit quality data. These two-episode payment rates are shown in Tables 1 and 2. These payments are further adjusted by the individual episode's case-mix weight and by the wage index.

**Table 1: For HHAs that DO Submit Quality Data – National, Standardized 60-Day Episode Amount for CY 2018**

CY 2017 National, Standardized 60-Day Episode Payment	Wage Index Budget Neutrality Factor	Case-Mix Weights Budget Neutrality Factor	Nominal Case-Mix Growth Adjustment	CY 2018 HH Payment Update	CY 2018 National, Standardized 60-Day Episode Payment
\$2,989.97	X 1.0004	X 1.0160	X 0.9903	X 1.01	\$3,039.64

**Table 2: For HHAs that DO NOT Submit Quality Data – National, Standardized 60-Day Episode Amount for CY 2018**

CY 2017 National, Standardized 60-Day Episode Payment	Wage Index Budget Neutrality Factor	Case-Mix Weights Budget Neutrality Factor	Nominal Case-Mix Growth Adjustment	CY 2018 HH Payment Update Minus 2 Percentage Points	CY 2018 National, Standardized 60-Day Episode Payment
\$2,989.97	X 1.0004	X 1.0160	X 0.9903	X 0.99	\$2,979.45

**National Per-Visit Rates**

To calculate the CY 2018 national per-visit payment rates, CMS starts with the CY 2017 national per-visit rates. CMS applies a wage index budget neutrality factor of 1.0010 to ensure budget neutrality for LUPA per-visit payments after applying the CY 2018 wage index. The per-visit rates are then updated by the CY 2018 HH payment update of 1 percent for HHAs that submit the required quality data and by -1 percent for HHAs that do not submit quality data. The per-visit rates are shown in Tables 3 and 4.

**Table 3: For HHAs that DO Submit Quality Data – CY 2018 National Per-Visit Amounts for LUPAs and Outlier Calculations**

HH Discipline Type	CY 2017 Per-Visit Payment	Wage Index Budget Neutrality Factor	CY 2018 HH Payment Update	CY 2018 Per-Visit Payment
Home Health Aide	\$64.23	X 1.0010	X 1.01	\$64.94
Medical Social Services	\$227.36	X 1.0010	X 1.01	\$229.86
Occupational Therapy	\$156.11	X 1.0010	X 1.01	\$157.83
Physical Therapy	\$155.05	X 1.0010	X 1.01	\$156.76
Skilled Nursing	\$141.84	X 1.0010	X 1.01	\$143.40
Speech-Language Pathology	\$168.52	X 1.0010	X 1.01	\$170.38

**Table 4: For HHAs that DO NOT Submit Quality Data – CY 2018 National Per-Visit Amounts for LUPAs and Outlier Calculations**

HH Discipline Type	CY 2017 Per-Visit Payment	Wage Index Budget Neutrality Factor	CY 2018 HH Payment Update	CY 2018 Per-Visit Payment
Home Health Aide	\$64.23	X 1.0010	X 0.99	\$63.65
Medical Social Services	\$227.36	X 1.0010	X 0.99	\$225.31
Occupational Therapy	\$156.11	X 1.0010	X 0.99	\$154.70
Physical Therapy	\$155.05	X 1.0010	X 0.99	\$153.65
Skilled Nursing	\$141.84	X 1.0010	X 0.99	\$140.56
Speech-Language Pathology	\$168.52	X 1.0010	X 0.99	\$167.00

**Non-Routine Supply Payments**

Payments for Non-Routine Supplies (NRS) are computed by multiplying the relative weight for a particular NRS severity level by an NRS conversion factor. To determine the CY 2018 NRS conversion factors, CMS updates the CY 2017 NRS conversion factor by the CY 2018 HH payment update of 1 percent for HHAs that submit the required quality data and by -1 percent for HHAs that do not submit quality data. CMS does not apply any standardization factors as the NRS payment amount calculated from the conversion factor is neither wage nor case-mix adjusted when the final payment amount is computed. The NRS conversion factor for CY 2018 payments for HHAs that do submit the required quality data is shown in Table 5a and the payment amounts for the various NRS severity levels are shown in Table 5b. The NRS conversion factor for CY 2018 payments for HHAs that do not submit quality data is shown in Table 6a and the payment amounts for the various NRS severity levels are shown in Table 6b.

**Table 5a: CY 2018 NRS Conversion Factor for HHAs that DO Submit the Required Quality Data**

CY 2017 NRS Conversion Factor	CY 2018 HH Payment Update	CY 2018 NRS Conversion Factor
\$52.50	X 1.01	\$53.03

**Table 5b: CY 2018 Relative Weights and Payment Amounts for the 6-Severity NRS System for HHAs that DO Submit Quality Data**

Severity Level	Points (Scoring)	Relative Weight	CY 2018 NRS Payment Amounts
1	0	0.2698	\$14.31
2	1 to 14	0.9742	\$51.66
3	15 to 27	2.6712	\$141.65
4	28 to 48	3.9686	\$210.45
5	49 to 98	6.1198	\$324.53
6	99+	10.5254	\$558.16

**Table 6a: CY 2018 NRS Conversion Factor for HHAs that DO NOT Submit the Required Quality Data**

CY 2017 NRS Conversion Factor	CY 2018 HH Payment Update Percentage Minus 2 Percentage Points	CY 2018 NRS Conversion Factor
\$52.50	X 0.99	\$51.98

**Table 6b: CY 2018 Relative Weights and Payment Amounts for the 6-Severity NRS System for HHAs that DO NOT Submit Quality Data**

Severity Level	Points (Scoring)	Relative Weight	CY 2018 NRS Payment Amounts
1	0	0.2698	\$14.02
2	1 to 14	0.9742	\$50.64
3	15 to 27	2.6712	\$138.85
4	28 to 48	3.9686	\$206.29
5	49 to 98	6.1198	\$318.11
6	99+	10.5254	\$547.11

### **Sunset of the Rural Add-On Provision**

Section 210 of MACRA extended the rural add-on of a 3-percent increase in the payment amount for HH services provided in a rural area for episodes and visits ending before January 1, 2018. Therefore, for episodes and visits that end on or after January 1, 2018, a rural add-on payment will not apply.

### **Methodology for Calculating Outlier Payments**

In the CY 2017 HH PPS final rule (81 FR 76702), CMS finalized changes to the methodology used to calculate outlier payments, using a cost-per-unit approach rather than a cost-per-visit approach. This change in methodology allows for more accurate payment for outlier episodes, accounting for both the number of visits during an episode of care and also the length of the visits provided. Using this approach, CMS now converts the national per-visit rates into per 15-minute unit rates. These per 15-minute unit rates are used to calculate the estimated cost of an episode to determine whether the claim will receive an outlier payment and the amount of payment for an episode of care. The cost-per-unit payment rates used for the calculation of outlier payments are shown in Tables 7a and 7b. The Fixed Dollar Loss (FDL) ratio remains 0.55 and the loss-sharing ratio remains 0.80.

**Table 7a - Cost-Per-Unit Rates for Calculating Outlier Payments for HHAs that DO Submit Required Quality Data**

HH Discipline	Average Minutes per Visit	CY2018 Per-Visit Payment	Cost per Unit (1 unit = 15 minutes)
Home Health Aide	63.0	\$64.94	\$15.46
Medical Social Services	56.5	\$229.86	\$61.02
Occupational Therapy	47.1	\$157.83	\$50.26
Physical Therapy	46.6	\$156.76	\$50.46
Skilled Nursing	44.8	\$143.40	\$48.01
Speech-Language Pathology	48.1	\$170.38	\$53.13

**Table 7b - Cost-Per-Unit Rates for Calculating Outlier Payments for HHAs that DO NOT Submit Required Quality Data**

HH Discipline	Average Minutes per Visit	CY2018 Per-Visit Payment	Cost per Unit (1 unit = 15 minutes)
Home Health Aide	63.0	\$63.65	\$15.15
Medical Social Services	56.5	\$225.31	\$59.82
Occupational Therapy	47.1	\$154.70	\$49.27
Physical Therapy	46.6	\$153.65	\$49.46
Skilled Nursing	44.8	\$140.56	\$47.06
Speech-Language Pathology	48.1	\$167.00	\$52.08

## ADDITIONAL INFORMATION

The official instruction, CR10310, issued to your MAC regarding this change is available at <https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/2017Downloads/R3888CP.pdf>.

If you have any questions, please contact your MAC at their toll-free number. That number is available at <https://www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/Medicare-FFS-Compliance-Programs/Review-Contractor-Directory-Interactive-Map/>

## DOCUMENT HISTORY

Date of Change	Description
November 9, 2017	Initial article released.

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