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Related Change Request (CR) #: 3556

Related CR Release Date: November 5, 2004

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Related CR Transmittal #: 362

Implementation Date: January 3, 2005

MMA - Medicare Program: Update to the Prospective Payment System (PPS) for Home Health Agencies for Calendar Year 2005

Note: This article was updated on May 12, 2013, to reflect current Web addresses. All other information remains unchanged.

Provider Types Affected

Home health agencies

Provider Action Needed

This article provides information on the annual update of:

- Home Health Prospective Payment System (HH PPS) rates for Calendar Year (CY) 2005; and
- The wage index values and labor percentages to be used in HH PPS payment calculations.

It also modifies the fixed-dollar loss ratio used in determining outlier payments.

Background

The related CR3446 directs Regional Home Health Intermediaries (RHHIs) to implement the CY 2005 annual update for the home health prospective payment system (HH PPS). The HH PPS rates are the national 60-day episode and the national per-visit amounts by discipline used to calculate the low utilization payment adjustment and the outlier payment.

For CY 2005, Medicare will continue to apply the design and case mix methodology described in section III.G of the home health PPS July 3, 2000 Final Rule (65 FR 41192 through 41203).

The labor adjustment to the PPS rates will continue to be based on the site of service of the beneficiary as set forth in the *Code of Federal Regulations* (42 CFR

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484.220 and 484.230), and this labor adjustment is applied to both per-episode and per-visit payment calculations.

MMA Changes

Effective January 1, 2005, the Medicare Modernization Act of 2003 (MMA) required the Centers for Medicare & Medicaid Services (CMS) to change the annual home health update from a fiscal year basis to a calendar year basis. Additionally, the MMA provided for a payment update based on the home health market basket percentage increase, minus 0.8 percent, beginning with the last three calendar quarters of 2004 and continuing through 2006.

For CY2005, the final update to the HH PPS rates is 2.3 percent (3.1% HH market basket – 0.8%). In addition to these MMA changes, the labor and non-labor percentages applied in wage-index adjustment are being revised effective for episodes with a “Through” date on or after January 1, 2005 as follows:

- The labor portion applied for this year will be 0.76775 percent; and
- The non-labor portion applied will be 0.23225 percent.

These percentages will be used in the wage adjustment of all of the payment calculations mentioned above.

Also, for episodes with claim statement “Through” dates on or after January 1, 2005, the fixed-dollar loss (FDL) ratio used in the determination of outlier payments is being re-estimated, based on the most recent available data with the loss-sharing ratio (LSR) remaining unchanged, as follows:

- The FDL ratio is now 0.70.
- The LSR remains unchanged at 0.80.

Updated Metropolitan Statistical Area Table

An updated Metropolitan Statistical Area (MSA) table will be used by Medicare systems that will reflect the 2005 pre-reclassified pre-floor hospital wage index. Effective April 1, 2004, the MMA provided for a five-percent payment increase for one year for services furnished in a rural area.

For episodes with claim statement “Through” dates on or after January 1, 2005 and on or before March 31, 2005, the updated MSA table will be used in applying this five-percent rural add-on to HH PPS payment rates. Medicare systems will identify episodes in these timeframes that qualify for the five-percent add-on using MSA codes that begin with “99.”

Note that claim statement “Through” dates are reported in FL6 of the UB-92 claim form or its electronic equivalent.

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Related Instructions

The *Medicare Claims Processing Manual (Pub. 100-04), Chapter 10 (Home Health Agency Billing), Section 70.5 (Annual Updates to the HH Pricer)* has been revised.

The updated manual instructions are attached to the official instruction released to your RHHI, and you may view that instruction by going to <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/downloads/R362CP.pdf> on the CMS website.

Additional Information

If you have any questions, please contact your intermediary 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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