

MLN Matters Number: MM4186

Related Change Request (CR) #: 4186

Related CR Release Date: November 28, 2005

Effective Date: January 1, 2006

Related CR Transmittal #: 764

Implementation Date: January 3, 2006

## MMA - Update to the Prospective Payment System (PPS) for Home Health Agencies (HHAs) for Calendar Year (CY) 2006

**Note:** This article was updated on April 3, 2013, to reflect current Web addresses. All other information remains unchanged.

### Provider Types Affected

Home health agencies (HHAs) billing Medicare regional home health intermediaries (RHHIs)

### Provider Action Needed



#### STOP – Impact to You

This article is based on Change Request (CR) 4186, which implements the Calendar Year (CY) 2006 annual update for the HH PPS.



#### CAUTION – What You Need to Know

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.



#### GO – What You Need to Do

See the *Background* section of this article for further details regarding this HH PPS update.

### Background

The Social Security Act (Section 1895) provides for an annual update to the HH PPS payment amounts in a prospective manner specified by the Centers for

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Medicare & Medicaid Services (CMS). The Medicare Prescription Drug Improvement and Modernization Act of 2003 (MMA, Section 701(b)) provides for a payment update change to the HH PPS based on the home health market basket percentage increase minus 0.8 percent beginning with the last 3 calendar quarters of 2004 and continuing through 2006.

CMS published the HH PPS annual update Final Rule in the Federal Register on November 9, 2005

([http://www.access.gpo.gov/su\\_docs/fedreg/frcont05.html](http://www.access.gpo.gov/su_docs/fedreg/frcont05.html)), and CR4186 directs RHHs to implement the CY 2006 annual update for the 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 2006, CMS continues to apply the design and case mix methodology described in Section III.G of the HH PPS July 3, 2000, Final Rule (65 FR 41192 through 41203); located at

[http://www.access.gpo.gov/su\\_docs/fedreg/a000703c.html](http://www.access.gpo.gov/su_docs/fedreg/a000703c.html)). 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 (CFR) at 42 CFR 484.220 and 42 CFR 484.230 (<http://frwebgate6.access.gpo.gov/cgi-bin/PDFgate.cgi?WAISdocID=026189422437+7+2+0&WALSaction=retrieve>). This labor adjustment is applied to both per-episode and per-visit payment calculations.

CR4186 provides the first update of the HH PPS rates that uses the Office of Management and Budget (OMB) announced revised area labor market Metropolitan Statistical Area (MSA) designations for CY 2006. For the purposes of this update, the term "MSA-based" refers to wage index values and designations based on the previous MSA designations. Conversely, the term "CBSA-based" refers to wage index values and designations based on the new OMB revised MSA designations, which now include Core-Based Statistical Areas (CBSAs).

In implementing the new area labor market designations, CMS is allowing for a one-year transition period. This transition consists of a blend of 50 percent of the new area labor market designations' wage index and 50 percent of the old area labor market designations' wage index. Additionally, the fixed dollar loss (FDL) ratio, used in the determination of outlier payments, is being re-estimated to 0.65 based on the most recent available data. The loss-sharing ratio of 0.80 remains unchanged.

These changes are described in detail in the Final Rule and implemented through the Home Health Pricer software found in the Medicare claims processing system used by your RHHI.

Providers should submit the CBSA code or special wage index code corresponding to the state and county of the beneficiary's home in value code 61 on HHA RAPs and claims. Also, providers serving beneficiaries in counties that are eligible for a special wage index are reminded to use the codes in the 50xxx

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range (as shown in the Federal Register) to determine the code to report in value code 61. Similarly, providers should use the Federal Register table associating states and counties to CBSA codes (in the range of 10020-49780 and 999xx rural state codes) to determine the code to report in value code 61.

## Additional Information

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For complete details, please see the official instruction issued to your RHHI regarding this change. That instruction may be viewed at <http://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/downloads/R764CP.pdf> on the CMS website.

If you have any questions, please contact your RHHI at their phone 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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