

---

# Legislative Update

---

## **CHANGES TO MEDICARE HOME HEALTH (as Contained in the Omnibus Consolidated and Emergency Supplemental Appropriations Act for Fiscal Year 1999, Public Law 105-277)**

*The Balanced Budget Act of 1997 (BBA) provided for a home health interim payment system (IPS) until the implementation of the home health prospective payment system (PPS). Under the BBA, home health agencies (HHAs) are paid the lower of three limits: 1) a per-visit limit; 2) a blended, agency-specific aggregate per-beneficiary limit; or 3) the agency's actual costs. Section 5101 of Public Law 105-277 made certain changes to the payment formula for HHAs under the IPS, and these changes are effective for services provided on or after October 1, 1998.*

### **BBA Established IPS Limits (HHAs are Paid the Lower of These Three Limits)**

- A per-visit limit that was 105 percent of the median per-visit costs for freestanding HHAs.
- An aggregate per beneficiary limit—"old" HHAs (those providers with a 12-month cost reporting period ending in fiscal year FY 1994) received a blend of 75 percent of their agency-specific costs in FY 1994 and 25 percent of the standardized regional average of such costs, minus 2 percent, and "new" HHAs (new providers and those without a 12-month cost reporting period ending in FY 1994) received the national median of those per-beneficiary limits for existing agencies.
- Agencies' actual costs.

## **New Legislation Makes Certain Changes to IPS Limits**

- The per-visit limits are increased from 105 percent to 106 percent of the median per-visit costs.
- "Old" HHAs with per-beneficiary limits under the national median will receive their current per-beneficiary limit plus one-third of the difference between their per-beneficiary limit and the national median. There is no additional 2-percent reduction to the national median.
- "Old" HHAs with per-beneficiary limits above the median will have no change in their per-beneficiary limits.
- "New" HHAs will receive a per-beneficiary limit of the national median with no additional 2-percent reduction.
- HHAs opened after October 1, 1998 ("brand new agencies") will receive a per-beneficiary limit of 75 percent of the national median, minus 2 percent. HHAs that filed applications before September 15, 1998 and approved branches of a parent agency that became a subunit after September 15, 1998 are not treated as "brand new agencies" and will receive a per-beneficiary limit of the national median with no additional 2-percent reduction.
- These revised limits are effective for services furnished on or after October 1, 1998.

## **The New Legislation Delays Effective Dates for PPS, the 15-Percent Reduction in Spending Limits, and Periodic Interim Payments for HHAs**

- The home health PPS as required by the BBA is delayed for 1 year to October 1, 2000. All HHAs must be brought under

PPS on October 1, 2000 rather than phased in according to their cost reporting period as was originally required under the BBA.

- The 15-percent reduction in home health spending limits (originally effective October 1, 1999 in the BBA with or without home health PPS) is delayed for 1 year.
- The elimination of periodic interim payments (PIPs) for HHAs (originally scheduled for October 1, 1999 in the BBA) is delayed for 1 year.

### **New Legislation Provides for Other Requirements**

- The home health update is reduced to market basket minus 1.1 percentage points for FYs 2000-03.
- The Secretary is required to submit a report to Congress by January 1, 1999, describing any research the Department of Health and Human Services has funded for the home health PPS and the timeline for implementing home health PPS.
- The Medicare Payment Advisory Commission (MedPAC) is required to submit an analysis of the Health Care Financing Administration's (HCFA) report to Congress no later than 60 days after HCFA submits their report. MedPAC is also required to analyze access to care issues, and include this analysis in their annual report due June 1999.
- The General Accounting Office is required to conduct an audit on HCFA's research for home health PPS.