
CMS Manual System

Pub. 100-20 One-Time Notification

Department of Health &
Human Services (DHHS)
Centers for Medicare &
Medicaid Services (CMS)

Transmittal 59

Date: FEBRUARY 20, 2004

CHANGE REQUEST 3085

I. SUMMARY OF CHANGES: The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), P.L. 108-173, provides for changes to the Medicare home health prospective payment system. Effective April 1, 2004, the MMA provides for a 5 percent payment increase for one year for services furnished in a rural area. It also requires CMS to change the annual home health update from a fiscal year basis to a calendar year basis. Finally, the MMA provides for a payment update 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.

NEW/REVISED MATERIAL - EFFECTIVE DATE: April 1, 2004

***IMPLEMENTATION DATE: April 5, 2004**

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual not updated.)
(R = REVISED, N = NEW, D = DELETED)

R/N/D	CHAPTER/SECTION/SUBSECTION/TITLE
N/A	

***III. FUNDING:**

These instructions shall be implemented within your current operating budget.

IV. ATTACHMENTS:

	Business Requirements
	Manual Instruction
	Confidential Requirements
X	One-Time Notification
	Recurring Update Notification

***Medicare contractors only**

One-Time Notification

Pub. 100-20	Transmittal: 59	Date: February 20, 2004	Change Request 3085
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SUBJECT: Temporary 5 Percent Payment Increase for Home Health Services Furnished in a Rural Area for One Year Under the Home Health Prospective Payment System (HH PPS), Change of HH PPS Annual Update from a Fiscal Year Update to a Calendar Year Update, and Adjustment of HH PPS Annual Update to the Home Health Market Basket Percentage Increase Minus 0.8 Percent

I. GENERAL INFORMATION

A. Background: These three changes are the result of legislation stemming from P.L. 108-173, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA). At the present time, there is no adjustment to the HH PPS rates for services provided in a rural area. Also, the HH PPS is currently updated on a fiscal year basis. Finally, the most recent HH payment adjustment is currently based on the home health market basket update for FY 2004.

B. Policy: The new policies are set forth by Sections 421, 701(a), and 701(b) of the MMA. Section 421 of the MMA provides for a 1-year payment increase of 5 percent for HH services furnished in a rural area with respect to episodes and visits ending on or after April 1, 2004, and before April 1, 2005. Sections 701(a) and 701(b) of the MMA provide for holding the HH payment update at the current rate of the HH market basket percentage increase for the last calendar quarter of 2003 and the first calendar quarter of 2004. Beginning with the last 3 calendar quarters of 2004 and continuing through calendar years 2005 and 2006, the HH update will be based upon the HH market basket percentage increase minus 0.8 percent. Due to the change from a fiscal year to a calendar year basis, the annual HH PPS update will be effective in January, rather than October, each year beginning in 2005.

To pay episodes ending on or after April 1, 2004, and before December 31, 2004, by the market basket percentage increase minus 0.8 percent, multiply the total standardized prospective payment amount per 60-day episode for FY 2003 (\$2,159.39) by the applicable market basket percentage increase (3.3 percent) minus 0.8 percent; or 2.5 percent. The final prospective payment amount per 60-day episode for episodes ending on or after April 1, 2004, and before December 31, 2004, is \$2,213.37. The applicable case mix and wage index adjustment is subsequently applied to the new amount.

Total prospective payment amount per 60-day episode for FY 2003 published in the June 28, 2002 Federal Register	Multiplied by 2.5 percent to provide for a market basket percentage increase of 3.3 percent reduced by 0.8 percent.	Final payment amount per 60-day episodes for episodes ending on or after April 1, 2004 and before December 31, 2004
\$2,159.39	1.025	\$2,213.37

To pay episodes with a low utilization payment adjustment (LUPA) by the national standardized per visit amounts for episodes ending on or after April 1, 2004, and before December 31, 2004, by the additional 2.5 percent, multiply the final standardized per visit payment amounts per 60-day episode for FY 2003 for each home health discipline

by 1.025. The final standardized per visit amounts per 60-day episode for FY 2003 for each home health discipline for episodes ending on or after April 1, 2004, and before December 31, 2004, with 4 or fewer visits is provided in the table below. The applicable wage index adjustment is subsequently applied to the new national per visit amounts used to calculate a LUPA episode.

Home Health Discipline Type	Final Standardized Per Visit Amounts Per 60-day Episode for FY 2003 for LUPA episodes published in June 28, 2002, Federal Register	Multiplied by 2.5 percent to provide for a market basket percentage increase of 3.3 percent reduced by 0.8 percent.	Final standardized per visit payment amount per 60-day episodes for episodes ending on or after April 1, 2004 and before December 31, 2004
Home Health Aide	\$42.68	1.025	\$43.75
Medical Social Services	\$151.11	1.025	\$154.89
Occupational Therapy	\$103.77	1.025	\$106.36
Physical Therapy	\$103.07	1.025	\$105.65
Skilled Nursing	\$94.27	1.025	\$96.63
Speech-Language Pathology	\$112.00	1.025	\$114.80

Section 421 of the MMA provides for a 5 percent payment increase for 1 year for episodes ending on or after April 1, 2004, and before April 1, 2005, for home health services furnished in a rural area. The 5 percent rural payment increase is in addition to the payment adjustment based on the market basket percentage increase (3.3 percent) minus 0.8 percent; or 2.5 percent for home health services for episodes ending on or after April 1, 2004, and before December 31, 2004. The 5 percent rural payment increase for episodes ending on or after January 1, 2005, and before April 1, 2005, will be reflected in the annual update notice governing HH PPS.

To calculate the 5 percent rural payment increase for home health episodes ending on or after April 1, 2004, and before December 31, 2004, multiply the total standardized prospective payment amount per 60-day episode as updated to reflect the market basket percentage increase reduced by 0.8 percent (\$2,213.37) by 5 percent when the site of service of the beneficiary is a non-MSA area. For a beneficiary whose site of service is a non-MSA area, the final prospective payment amount for episodes ending on or after April 1, 2004, and before December 31, 2004 is \$2,324.04. The applicable case mix and wage index adjustment is subsequently applied to the new amount.

Final payment amount per 60-day episodes for episodes ending on or after April 1, 2004 and before December 31, 2004 reflecting market basket percentage increase reduced by 0.8 percent	Multiplied by 5 percent rural increase	Final payment amount per 60-day episodes for episodes ending on or after April 1, 2004 and before December 31, 2004 reflecting market basket percentage increase reduced by 0.8 percent for beneficiary who resides in a rural non-MSA area
\$2,213.37	1.05	\$2,324.04

In the case of an episode with four or fewer visits, the LUPA applies. In order to calculate the 5 percent rural payment increase for LUPA episodes ending on or after April 1, 2004, and before December 31, 2004, multiply the final standardized per visit payment amounts for each home health discipline as updated to reflect the market basket percentage increase reduced by 0.8 percent by 5 percent when the site of service of the beneficiary is a non-MSA area. The applicable case mix and wage index adjustment is subsequently applied to the new national per visit amounts used to calculate a LUPA episode payment.

Home Health Discipline Type	Final per visit payment amount per 60-day episodes for LUPA episodes ending on or after April 1, 2004 and before December 31, 2004 reflecting market basket percentage increase reduced by 0.8 percent	Multiplied by 5 percent rural increase	Final per visit payment amount per 60-day episodes for LUPA episodes ending on or after April 1, 2004 and before December 31, 2004 reflecting market basket percentage increase reduced by 0.8 percent for a beneficiary who resides in a rural non-MSA area
Home Health Aide	\$43.75	1.05	\$45.94
Medical Social Services	\$154.89	1.05	\$162.63
Occupational Therapy	\$106.36	1.05	\$111.68
Physical Therapy	\$105.65	1.05	\$110.93
Skilled Nursing	\$96.63	1.05	\$101.46
Speech-Language Pathology	\$114.80	1.05	\$120.54

C. Provider Education: A provider education article related to this instruction will be available at www.cms.hhs.gov/medlearn/matters shortly after the CR is released. You will receive notification of the article release via the established “medlearn matters” listserv. Intermediaries shall post this article to their Web site, and include it in a listserv message if applicable, within one week of the availability of the provider education article. In addition, the provider education article must be included in your next regularly scheduled bulletin.

Intermediaries shall inform home health agencies that the updated rates will be applied to requests for anticipated payment (RAPs) and claims with “Through” dates on or after April 1, 2004. Intermediaries shall inform home health agencies that no billing changes are required of home health agencies to receive the updated rates.

II. BUSINESS REQUIREMENTS

Requirement #	Requirements	Responsibility
3085.1	Medicare systems shall install a new HH PPS Pricer software module effective April 1, 2004.	Standard Systems

3085.2	Medicare systems shall apply the Calendar Year (CY) 2004 HH PPS payment rates, for episodes with claim statement "Through" dates on or after April 1, 2004 and on or before December 31, 2004.	Pricer
3085.3	Medicare systems shall apply the 5 percent rural add-on to HH PPS payment rates for episodes with claim statement "Through" dates on or after April 1, 2004 and on or before March 31, 2005.	Pricer
3085.3.1	Medicare systems shall identify episodes that qualify for the 5 percent rural add-on using MSA codes that begin with '99.'	Pricer

III. SUPPORTING INFORMATION & POSSIBLE DESIGN CONSIDERATIONS

A. Other Instructions:

X-Ref Requirement #	Instructions
3085.1	The table of HIPPS code weights in HH Pricer will not be updated.
3085.2 and 3085.3	Claim statement "Through" dates are reported in FL6 of the UB-92 claim form (or its electronic equivalent).
3085.3.1	MSA codes are reported on RAPs and claims associated with value code 61.

B. Design Considerations: N/A

C. Interfaces:

X-Ref Requirement #	Instructions
3085.1	The input and output records of the HH Pricer module will not be changed.

D. Contractor Financial Reporting /Workload Impact: N/A

E. Dependencies: N/A

F. Testing Considerations: N/A

IV. SCHEDULE, CONTACTS, AND FUNDING

Effective Date: April 1, 2004 Implementation Date: April 5, 2004 Pre-Implementation Contact(s): Sharon Ventura	These instructions shall be implemented within your current operating budget.
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(410) 786-1985 for payment policy questions and/or Wil Gehne (410) 786-6148 for operational questions.

Post-Implementation Contact(s): Appropriate Regional Office