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# Program Memorandum Intermediaries

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Department of Health &  
Human Services (DHHS)  
Centers for Medicare &  
Medicaid Services (CMS)  
Date: JULY 11, 2002

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Transmittal A-02-061

## CHANGE REQUEST 2239

**SUBJECT: Medicare Program- Update to the Prospective Payment System (PPS) for Home Health Agencies for FY 2003**

### Background

The law governing home health prospective payment requires annual updates to the home health PPS rates for inflation. The home health 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 payments as set forth in the Code of Federal Regulations at §§484.205, 484.220, 484.230, 484.235, 484.237, and 484.240. Section 1895(b)(3)(B)(ii) of the Social Security Act (the Act) requires the standard prospective payment amounts to be increased by a factor equal to the home health market basket minus 1.1 percentage points for FY 2003. This has been codified in regulations at §484.225. The FY 2003 update notice also implements §501 of the Medicare, Medicaid and SCHIP Beneficiary Improvement and Protection Act (BIPA) of 2000 that requires CMS to estimate the impact on home health spending that would have occurred if the interim payment system limits were reduced by 15 percent and updated to FY 2003. The interim payment system ended with the implementation of home health PPS on October 1, 2000. The annual update notice published in the *Federal Register* in July 2002, provides the updated FY 2003 national 60-day episode rates and the national per visit rates by discipline used to calculate the low utilization payment adjustment and the outlier payments.

The national 60-day episode rates are adjusted for case mix and labor. The national per visit rates by discipline are adjusted for labor. For FY 2003, we again use 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). For FY 2003, we base the wage index adjustment to the labor portion of the PPS rates on the most recent pre-floor and pre-reclassified hospital wage index available at the time of publication of the home health PPS annual update notice published in the *Federal Register* in July 2002. 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 at §§484.220 and 484.230.

Section 508 of BIPA requires for home health services furnished in a rural area on or after April 1, 2001, and before April 1, 2003, that the Secretary increase the payment amount otherwise made under §1895 of the Act for services by 10 percent. The new law provides for a 10 percent increase to the national 60-day episode rates and the national per visit rates by discipline for home health services furnished in rural areas where the site of service of the beneficiary is a non-metropolitan statistical area (non-MSA). The 10 percent increase for the provision of home health services in a rural area applies to episodes ending before April 1, 2003, as required by law. The rural add-on does not apply to episodes ending on or after April 1, 2003. The applicable case mix and wage index adjustment is subsequently applied to the 60-day episode rate increased by 10 percent for the provision of home health services where the site of service of the beneficiary is a non-MSA area. Similarly, the applicable wage index adjustment is subsequently applied to the national per visit amounts by discipline increased by 10 percent for the provision of home health services where the site of service of the beneficiary is a non-MSA area. For the sake of clarity, we have provided the 10 percent rural add on tables for FY 2003 in the update notice published in the *Federal Register* in July 2002.

## **Implementation**

The annual HH PPS update will be implemented through the installation of a new HH PPS Pricer software module in the intermediary standard systems. The new Pricer module will not contain any new calculation logic, but will simply apply the existing calculations to the updated national episode and national per-visit rates. An updated table of per-visit rates will be installed in the module in the current two column format to reflect rates with and without the rural add-on. However, rural add-on rates will only be applied to episodes with claim statement "Through" dates in FL6 of the UB-92 claim form (or electronic equivalent) on or before March 31, 2003. For applicable episodes, the rural add-on rates continue to be based on the presence of values 9901 through 9965, 9998, and 9999 reported with value code 61. An updated MSA table will be installed in the module, to reflect the 2002 pre-floor, pre-reclassification hospital wage index. The table of HIPPS code weights will not be updated. The input and output records of the Pricer module will not be changed. Additional changes to the HH PPS Pricer effective October 1, 2002, have been published in PM A-02-030. These updates and the changes in PM A-02-030 should be loaded and tested at the same time. System maintainer hours for these updates have already been included in that instruction.

Regional Home Health Intermediaries and the audit intermediaries of hospital-based home health agencies must educate providers about the new rates prior to October 1, 2002. The new rates and wage indices must be obtained from the ***Federal Register*** via the Government Printing Office website at [www.access.gpo.gov/su\\_docs/aces/aces140.html](http://www.access.gpo.gov/su_docs/aces/aces140.html) and published via the intermediary's website. The website notice must 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 October 1, 2002. CMS will provide additional notice of the publication of the new rates via the HH PPS electronic mailing list. No billing changes are required of home health agencies to receive the updated rates.

**The *effective date* for this PM is October 1, 2002.**

**The *implementation date* for this PM is October 1, 2002.**

**These instructions should be implemented within your current operating budget.**

**If you have any payment policy questions, contact: Susan Levy (410) 786-9364.**

**If you have any operational questions, contact: Wil Gehne (410) 786-6148.**

**This PM may be discarded after 10/01/2003.**