

Related Change Request (CR) #: 3085

Medlearn Matters Number: MM3085

Related CR Release Date: February 20, 2004

Related CR Transmittal #: 59

Effective Date: April 1, 2004

Implementation Date: April 1, 2004

- MMA 1) 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)*
- 2) Change of HH PPS Annual Update from a Fiscal Year Update to a Calendar Year Update*
- 3) Adjustment of HH PPS Annual Update to the Home Health Market Basket Percentage Increase Minus 0.8 Percent*

Provider Types Affected

Home health service providers.

Impact on Affected Providers

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) made several changes to home health payments under Medicare:

1. Effective April 1, 2004, the MMA provides for a one-year, five percent payment increase for home health services furnished in a rural area.
2. It requires the Centers for Medicare & Medicaid Services (CMS) to change the annual home health update from a fiscal year basis to a calendar year basis.
3. It provides for holding the HH payment update at the current rate of the home health market basket percentage increase for the last calendar quarter of 2003 and the first calendar quarter of 2004. Beginning with the second calendar quarter 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%.

Background

MMA section 421 provides for a one-year payment increase of five 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. In addition, it requires CMS to change the annual home health update from a fiscal year basis to a calendar year basis. In addition, in sections 701(a) and 701(b), it provides for holding the HH payment update at the

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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 three 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%.

Please use the following information to help you understand how these increases will be calculated. To calculate the reimbursement for care that you provide on or after April 1, 2004 and before December 31, 2004, add the applicable market basket percentage increase (3.3%) minus 0.8%; or 2.5%, to the total standardized prospective payment amount per 60-day episode for FY 2003 (\$2,159.39). With this change then, 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 (or \$2,159.39 X 1.025 = 2,123.37).

Building on this formula, to calculate the 5% HH payment increase for care you provide in rural areas (when the beneficiary's site of service is a non-MSA area) on or after April 1, 2004, and before December 31, 2004, multiply \$2,213.37 (the updated total standardized prospective payment amount per 60-day episode, as noted above) by 1.05. With this calculation, the final rural HH prospective payment amount per 60-day episode for episodes ending on or after April 1, 2004, and before December 31, 2004 is \$2,324.04.

The 5% 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. Please remember, in each of these scenarios, the applicable case mix and wage index adjustment is applied to the new amounts.

To pay low utilization payment adjustment (LUPA) episodes with the additional 2.5 percent for episodes ending on or after April 1, 2004, and before December 31, 2004, 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 also affected. These amounts are listed as follows:

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

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Note that the applicable wage index adjustment is subsequently applied to the new national per visit amounts used to calculate a LUPA episode.

In the case of an episode with four or fewer visits, the LUPA applies. In order to calculate the five 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 five 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

Additional Information

You may view the actual change request issued by CMS to Medicare intermediaries by going to:

http://www.cms.hhs.gov/manuals/pm_trans/R590TN.pdf .

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