

---

# Program Memorandum Intermediaries

---

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

---

Transmittal A-02-059

Date: JULY 10, 2002

---

CHANGE REQUEST 2248

**SUBJECT: Medicare Program—Update to the Hospice Payment Rates, Hospice Cap, Hospice Wage Index and the Hospice Pricer for FY 2003**

## GENERAL INFORMATION

### Hospice Payment Rates

The law governing the payment for hospice care requires annual updates to the hospice payment rates. Section 1814(i)(1)(C)(ii) of the Social Security Act (the Act) stipulates that the payments for hospice care for fiscal years after 2002 will increase by the market basket percentage increase for the fiscal year. Therefore, the FY2003 payment rates will be the FY2002 payment rates, (minus the 0.75 percent increase mandated by §131(a)(b) of the Balanced Budget Refinement Act of 1999 (BBRA), increased by 4.2 percentage points, which is the total market basket percentage increase for FY 2003. This payment methodology has been codified in regulations found at 42 CFR §418.306(a)(b).

### Hospice Cap Amount

The Hospice Cap is updated annually in accordance with §1814(i)(2)(B) of the Act and provides an increase (or decrease) in the hospice cap amount. Specifically, the cap amount is increased or decreased, for accounting years after 1984, by the same percentage as the percentage increase or decrease, respectively, in the medical care expenditure category of the Consumer Price Index for all Urban Consumers.

### Hospice Wage Index

The Hospice Wage Index is used to adjust payment rates to reflect local differences in wages according to the revised wage index. The Hospice Wage Index is updated annually in accordance with recommendations made by a negotiated rulemaking advisory committee and published in the *Federal Register* on August 8, 1997. Section 42 CFR 418.306(c) requires that the updated hospice wage index be published annually as a Notice in the *Federal Register*.

### Hospice Pricer

The annual hospice payment updates will be implemented through the Hospice Pricer software found 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 payment rates shown in II.A. below. An updated Metropolitan Statistical Area (MSA) table will be installed in the module, to reflect the 2003 hospice wage index. The input and output records of the Pricer module will not be changed. No billing changes are required of hospices to receive the updated rates.

CMS-Pub. 60A

## UPDATES AND IMPLEMENTATION INFORMATION

### FY 2003 Hospice Payment Rates

The FY2003 hospice payment rates are effective for care and services furnished on or after October 1, 2002, through September 30, 2003.

<u>Code</u>	<u>Description</u>	<u>Rate</u>	<u>Wage Component Subject to Index</u>	<u>Non-Weighted Amount</u>
651	Routine Home Care	\$114.20	\$78.47	\$35.73
652	Continuous Home Care Full rate = 24 hours of care/\$27.77 hourly rate	\$666.52	\$457.97	\$208.55
655	Inpatient Respite Care	\$118.13	\$63.94	\$54.19
656	General Inpatient Care	\$508.01	\$325.18	\$182.83

### Hospice Cap

The latest hospice cap amount for the cap year ending October 31, 2002, is \$17,390.89.

### Hospice Wage Index

The Hospice Wage Index Notice will be effective on October 1, 2002, and published in the *Federal Register* before that date. The revised wage index and payment rates will be incorporated in the hospice Pricer and forwarded to the intermediaries following publication of the notice.

### Intermediary Instructions

Regional Home Health Intermediaries (RHHIs) should encourage hospice providers to split claims if they span the effective date. RHHIs must alert hospices that the RHHI will use FY 2002 rates if the hospice chooses not to split the claim and that the RHHI will perform no subsequent adjustments to these claims.

RHHIs and the audit intermediaries of hospital-based hospice agencies must educate hospice providers about these updates prior to October 1, 2002. The new rates and the wage indices (obtained from the *Federal Register* via the Government Printing Office Website at [www.access.gpo.gov](http://www.access.gpo.gov)) must be published via the intermediary's website. RHHIs must also send the above information to all hospice professional groups and software support organizations in its files.

**The effective date for this Program Memorandum (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.**

**This PM may be discarded after October 1, 2003.**

**For payment policy questions, contact Lynn Riley at (410) 786-1286.**

**For operational questions, contact Kelly Buchanan at (410) 786-6132.**