

Program Memorandum Intermediaries

Department of Health and
Human Services (DHHS)
HEALTH CARE FINANCING
ADMINISTRATION (HCFA)

Transmittal A-01-06

Date: JANUARY 16, 2001

CHANGE REQUEST 1489

SUBJECT: Restoration of Full Home Health Market Basket Update for Home Health Services for Fiscal Year 2001 and Temporary 10 Percent Payment Increase for Home Health Services Furnished in a Rural Area For 24 Months Under the Home Health Prospective Payment System (HH PPS)

Restoration of Full Home Health Market Basket Update for Home Health Services for FY 2001

Background

Section 502 of the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 sets forth a special rule of payment for FY 2001 based on adjusted prospective payment amounts. The law states:

"Notwithstanding the amendments made by subsection (a) for purposes of making payments under section 1895(b) of the Social Security Act (42 U.S.C. 1395fff) for home health services for FY 2001, the Secretary of Health and Human Services shall:

(A) with respect to episodes and visits ending on or after October 1, 2000, and before April 1, 2001, use the final standardized and budget neutral prospective payment amounts for 60-day episodes and standardized average per visit amounts for fiscal year 2001 as published by the Secretary in the *Federal Register* of July 3, 2000, (65 *Federal Register* 41128-41214); and

(B) with respect to episodes and visits ending on or after April 1, 2001, and before October 1, 2001, use such amounts increased by 2.2 percent."

The law waives budget neutrality since it specifically states in §1895 that the Secretary shall not take the provisions of this section into account for purposes of budget neutrality adjustments.

Methodology

To pay episodes ending on or after April 1, 2001, and before October 1, 2001, by the additional 2.2 percent, multiply the total standardized prospective payment amount per 60-day episode for FY 2001 (\$2,115.30) by 1.022. The final prospective payment amount per 60-day episodes for FY 2001 for episodes ending on or after April 1, 2001, and before October 1, 2001, is \$2,161.84. 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 2001 published in July 3, 2000, Federal Register	Multiplied by 2.2% to provide full market basket for FY 2001	Final payment amount per 60-day episodes for FY 2001 for episodes ending on or after April 1, 2001, and before October 1, 2001
\$2,115.30	1.022	\$2,161.84

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, 2001, and before October 1, 2001, by the additional 2.2 percent multiply the final standardized per visit payment amounts per 60-day episode for FY 2001 for each home health discipline type by 1.022. The final standardized per visit amounts per 60-day episode for FY 2001 of each home health discipline for episodes ending on or after April 1, 2001, and before October 1, 2001, with four 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 2001 for LUPA episodes published in July 3, 2000, Federal Register	Multiplied by 2.2% to provide full market basket for FY 2001	Final standardized per visit payment amount per 60-day episodes for FY 2001 for LUPA episodes ending on or after April 1, 2001, & before October 1, 2001
Home Health Aide	\$43.37	1.022	\$44.32
Medical Social Services	\$153.55	1.022	\$156.93
Occupational Therapy	\$105.44	1.022	\$107.76
Physical Therapy	\$104.74	1.022	\$107.04
Skilled Nursing	\$95.79	1.022	\$97.90
Speech-Language Pathology	\$113.81	1.022	\$116.31

Outlier Payment Calculations

Note that the revised wage adjusted per visit amounts for FY 2001 of LUPA episodes ending on or after April 1, 2001, and before October 1, 2001, reflected in this Program Memorandum (PM), are the same amounts used to estimate the cost of the outlier calculation episode. The revised amounts reflected in this PM will be used in the outlier calculation of episodes ending on or after April 1, 2001, and before October 1, 2001.

Implementation

Medicare's standard systems will install an updated HH PPS pricer module effective April 1, 2001. This pricer module will apply the market basket increase as described above to all claims with "Through" dates in FL 6 of the UB-92 claim form on or after April 1, 2000. HH PPS payments made on or after April 1, 2001, will be reflected on HHA's electronic remittance advices without special identifiers indicating when the market basket increases are applied. Educate providers about this increase in bulletins prior to April 1, 2001, in order to ensure that HHAs understand their payments after this date.

Temporary 10 Percent Payment Increase for Home Health Services Furnished in a Rural Area for 24 Months under the HH PPS

Background

Section 508 of the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 requires the Secretary to increase the payment amount otherwise made under §1895 by 10 percent in the case of home health services furnished in a rural area (as defined in §1886(d)(2)(D))

of the Act) on or after April 1, 2001, and before April 1, 2003. The law waives budget neutrality, which states that the Secretary shall not reduce the standard prospective payment amount (or amounts) under §1895 of the Act applicable to home health services furnished during a period to offset the increase in payments resulting in the application of this section of the law.

Section 502 of the Medicare, Medicaid and SCHIP Benefits Improvement and Protection Act of 2000 also requires the full home health market basket update to home health services for FY 2001. Paying episodes ending on or after April 1, 2001, and before October 1, 2001, by the additional 2.2 percent is equivalent to increasing the home health budget neutrality target for FY 2001 by the full market basket for the entire FY 2001. The 10 percent rural adjustment provided in this PM reflects an adjustment to the revised episode and national per visit LUPA in addition to the full market basket adjustment for home health services beginning on or after April 1, 2001, and before October 1, 2001. Since home health services are completed upon the end of the episode, the 10 percent rural adjustment for FY 2001 applies to episodes ending on or after April 1, 2001, and before October 1, 2001. The rural adjustment for FY 2002 will be reflected in the annual update notice governing home health PPS.

Methodology

The new §508 of the law provides payment for the national standardized episode amounts and LUPA national per visit amounts for episodes ending on or after April 1, 2001, and before April 1, 2003, by an additional 10 percent for home health services furnished in rural areas. This provision of the law results in multiplying the total standardized prospective payment amount per 60-day episode as updated to reflect the full market basket adjustment for FY 2001 of episodes ending on or after April 1, 2001, and before October 1, 2001, (\$2,161.84) by 10 percent when the site of service of the beneficiary is the non-MSA area. For a beneficiary whose site of service is a non-MSA area, the final prospective payment amount for FY 2001 of episodes ending on or after April 1, 2001, and before October 1, 2001, is \$2,378.02. The applicable case mix and wage index adjustment is subsequently applied to the new amount.

Final payment amount per 60-day episodes for FY 2001 for episodes ending on or after April 1, 2001, and before October 1, 2001 reflecting full market basket update	Multiplied by 10%	Final payment amount per 60-day episodes for FY 2001 for episodes ending on or after April 1, 2001, and before October 1, 2001, reflecting full market basket update for beneficiary who resides in a rural non-MSA area.
\$2,161.84	1.10	\$2,378.02

The new section of the law provides payment for the national standardized episode amounts and LUPA national per visit amounts for LUPA episodes ending on or after April 1, 2001, and before April 1, 2003, of an additional 10 percent for home health services furnished in rural areas when the site of service is the non-MSA area of the beneficiary. In the case of a LUPA episode, this section of the law results in paying LUPA episodes updated to reflect the full market basket for FY 2001 ending on or after April 1, 2001, and before October 1, 2001, an additional 10 percent for home health services furnished in rural areas where the site of service of the beneficiary is a non-MSA area. The final standardized per visit amounts per 60-day episode for FY 2001 for each home health discipline of LUPA episodes ending on or after April 1, 2001, and before October 1, 2001, with four 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 per visit payment amount per 60-day episodes for FY 2001 for LUPA episodes ending on or after April 1, 2001, & before October 1, 2001, reflecting full market basket update	Multiply amount by 10% for beneficiaries whose site of service is a rural area (non-MSA)	Final per visit payment amount per 60-day episodes for FY 2001 for LUPA episodes ending on or after April 1, 2001, & before October 1, 2001 reflecting full market basket update for a beneficiary who resides in a rural non-MSA area.
Home Health Aide	\$44.32	1.10	\$48.75
Medical Social Services	\$156.93	1.10	\$172.62
Occupational Therapy	\$107.76	1.10	\$118.54
Physical Therapy	\$107.04	1.10	\$117.74
Skilled Nursing	\$97.90	1.10	\$107.69
Speech-Language Pathology	\$116.31	1.10	\$127.94

Outlier Payment Calculations

It is important to note that the revised wage adjusted per visit amounts for FY 2001 for LUPA episodes ending on or after April 1, 2001, and before October 1, 2001, for beneficiaries who receive services in a rural non-MSA location reflected in this PM are the same amounts used to estimate the cost of the episode for purposes of the outlier calculation. The revised amounts reflected in this PM will be used in the outlier calculation for beneficiaries who reside in a rural non-MSA location for episodes ending on or after April 1, 2001, and before October 1, 2001.

Implementation

Medicare's standard systems will install an updated HH PPS pricer module effective on April 1, 2001. This pricer module will identify requests for anticipated payments and claims for which the rural add-on applies by the presence of values 9901 through 9965, 9998, and 9999 reported with value code 61. Since HHAs are currently submitting these codes on HH PPS RAPs and claims where appropriate, no billing changes are required for HHAs. HH PPS payments made on or after April 1, 2001, will be reflected on HHA's electronic remittance advices without special identifiers indicating when the rural add-on is applied. Educate providers about this rate increase with bulletins prior to April 1, 2001, in order to ensure HHAs understand their payments after this date.

The *effective date* for this PM is April 1, 2001.

The *implementation date* for this PM April 1, 2001.

These instructions should be implemented within your current operating budget.

This PM may be discarded after April 1, 2002.

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

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