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# Program Memorandum Intermediaries

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

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CHANGE REQUEST 1745

**SUBJECT: Medicare Program- Update to the Prospective Payment System (PPS) for Home Health Agencies for FY 2002**

## 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 regulations in §§484.205, 484.220, 484.230, 484.235, 484.237, and 484.240. Section 1895(b)(3)(B)(ii) of the Social Security 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 2002.

This has been codified in regulations in §484.225. The annual update notice published in the *Federal Register* in July 2001 provides the updated FY 2002 national 60 day episode rates and 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 2002, we again use the design and case mix methodology described in section III.G of the July 3, 2000, home health PPS final rule (65 FR 41192 through 41203).

For FY 2002, 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 2001. The labor adjustment to the PPS rates will continue to be based on the site of service of the beneficiary as set forth in §§484.220 and 484.230.

Section 508 of the Medicare, Medicaid and State Children's Health Insurance Program Beneficiary Improvement and Protection Act of 2000 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 section 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-MSA area. The 10 percent increase for the provision of home health services in a rural area spans the entire FY 2002 reflected in the update notice. 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 2002 in the update notice published in the *Federal Register* in July 2001.

## 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

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new calculation logic, but will simply apply the existing calculations to the updated national episode and national per visit rates. An updated table of revenue code rates will be installed in the module, in the current two-column format to reflect rates with and without the rural add-on. Rural add-on rates will continue to be applied 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 2001 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 and therefore no changes are required to the intermediary standard systems logic other than the loading and testing of the new module.

Regional Home Health Intermediaries (RHHIs) and the audit intermediaries of hospital based home health agencies must educate providers about the new rates prior to October 1, 2001. 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 in a regularly scheduled provider bulletin.

The bulletin 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, 2001. No billing changes are required of home health agencies to receive the updated rates.

**The *effective date* for this Program Memorandum (PM) is October 1, 2001.**

**The *implementation date* for this PM is October 1, 2001.**

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

**This PM may be discarded after June 28, 2002.**

**For payment policy questions, contact Susan Levy on (410) 786-9364.**

**For operational questions, contact Wil Gehne on (410) 786-6148.**