

CMS Manual System

Pub 100-04 Medicare Claims Processing

Transmittal 764

Department of Health &
Human Services (DHHS)

Centers for Medicare &
Medicaid Services (CMS)

Date: NOVEMBER 28, 2005

Change Request 4186

SUBJECT: Update to the Prospective Payment System (PPS) for Home Health Agencies for Calendar Year (CY) 2006

I. SUMMARY OF CHANGES: Update to the CY2006 HH PPS rates.

NEW/REVISED MATERIAL

EFFECTIVE DATE: January 1, 2006

IMPLEMENTATION DATE: January 3, 2006

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)

R = REVISED, N = NEW, D = DELETED

| R/N/D | CHAPTER/SECTION/SUBSECTION/TITLE |
|-------|----------------------------------|
| N/A | |

III. FUNDING:

No additional funding will be provided by CMS; Contractor activities are to be carried out within their FY 2006 operating budgets.

IV. ATTACHMENTS:

Recurring Notification Form

**Unless otherwise specified, the effective date is the date of service.*

Attachment – Recurring Update Notification

| | | | |
|-------------|------------------|-------------------------|---------------------|
| Pub. 100-04 | Transmittal: 764 | Date: November 28, 2005 | Change Request 4186 |
|-------------|------------------|-------------------------|---------------------|

SUBJECT: Update to the Prospective Payment System (PPS) for Home Health Agencies for Calendar Year (CY) 2006

I. GENERAL INFORMATION

A. Background: This Recurring Update Notification is to direct Regional Home Health Intermediaries (RHHIs) to implement the CY 2006 annual update for the home health prospective payment system (HH PPS). 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 payment. For CY 2006, Medicare continues to apply 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). 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 42CFR484.220 and 484.230. This labor adjustment is applied to both per-episode and per-visit payment calculations.

B. Policy: The home health PPS annual update Final Rule was published in the **Federal Register** on November 1, 2005.

Section 701(b) of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), provides for change to the Medicare home health prospective payment system update.

Specifically the MMA provided for a payment update based on the home health market basket percentage increase minus 0.8 percent beginning with the last 3 calendar quarters of 2004 and continuing through 2006.

This is the first update of the HH PPS rates that uses the OMB announced revised area labor market Metropolitan Statistical Area (MSA) designations for calendar year 2006. For the purposes of this update, the term “MSA-based” refers to wage index values and designations based on the previous MSA designations. Conversely, the term “CBSA-based” refers to wage index values and designations based on the new OMB revised MSA designations which now include Core-based Statistical Areas (CBSAs). In implementing the new area labor market designations, we are allowing for a 1-year transition period. This transition consists of a blend of 50 percent of the new area labor market designations’ wage index and 50 percent of the old area labor market designations’ wage index. Additionally, the fixed dollar loss (FDL) ratio, used in the determination of outlier payments, is being re-estimated to 0.65 based on the most recent available data. The loss-sharing ratio of 0.80 remains unchanged.

These changes are described in detail in the final rule and implemented through the Home Health Pricer software found in the intermediary standard systems. A new CBSA table will be installed in the Pricer module, to reflect the transitional 2006 pre-reclassified pre-floor hospital wage index.

II. BUSINESS REQUIREMENTS

"Shall" denotes a mandatory requirement

"Should" denotes an optional requirement

| Requirement Number | Requirements | Responsibility ("X" indicates the columns that apply) | | | | | | | | |
|--------------------|---|---|------------------|---------------------------------|-----------------------|---------------------------|-------------|-------------|-------------|-----------|
| | | F I | R H H I | C a r r i e r | D M E R C | Shared System Maintainers | | | | Other |
| | | | | | | F I S S | M C S | V M S | C W F | |
| 4186.1 | Medicare systems shall install a new HH PPS Pricer software module effective January 1, 2006. | | | | | X | | | | |
| 4186.2 | Medicare systems shall apply the CY 2006 HH PPS payment rates, for episodes with claim statement "Through" dates on or after January 1 and on or before December 31, 2006. | | | | | | | | | HH Pricer |
| 4186.3 | Medicare systems shall apply a FDL ratio of 0.65 in the determination of outlier payment calculations for episodes with claim statement "Through" dates on or after January 1, 2006. | | | | | | | | | HH Pricer |
| 4186.4 | Medicare systems shall revise the input/output records for the home health Pricer to accept a 5 position CBSA code. | | | | | X | | | | HH Pricer |
| 4186.5 | Medicare systems shall use a table of wage index values associated with CBSA codes and special wage index codes for CY 2006 home health payment calculations. | | | | | | | | | HH Pricer |
| 4186.6 | Medicare systems shall populate the CBSA field on the Pricer input/output record from the value code 61 amount on the home health RAP or claim. | | | | | X | | | | HH Pricer |
| 4186.7 | Medicare contractors shall instruct providers to submit the CBSA code or special wage index code corresponding to the state and county of the beneficiary's home in value code 61 on home health RAPs and claims. | | X | | | | | | | |
| 4186.7.1 | Medicare contractors shall instruct providers to use the Federal Register table associating states and counties to CBSA codes (codes in the range 10020 – 49780 and 999xx rural state codes) to determine the code to report in value code 61. | | X | | | | | | | |

| Requirement Number | Requirements | Responsibility (“X” indicates the columns that apply) | | | | | | | | |
|--------------------|--|---|-------------|---------------------------------|-----------------------|---------------------------|-------------|--|--|-------|
| | | F I | R H I | C a r r i e r | D M E R C | Shared System Maintainers | | | | Other |
| F I S S | M C S | | | | | V M S | C W F | | | |
| 4186.7.2 | Medicare contractors shall instruct providers serving beneficiaries in counties which are eligible for a special wage index value to use the codes in the range 50xxx in the Federal Register table to determine the code to report in value code 61. | | X | | | | | | | |

III. PROVIDER EDUCATION

| Requirement Number | Requirements | Responsibility (“X” indicates the columns that apply) | | | | | | | | |
|--------------------|--|---|-------------|---------------------------------|-----------------------|---------------------------|-------------|--|--|-------|
| | | F I | R H I | C a r r i e r | D M E R C | Shared System Maintainers | | | | Other |
| F I S S | M C S | | | | | V M S | C W F | | | |
| 4186.8 | A provider education article related to this instruction will be available at www.cms.hhs.gov/medlearn/matters shortly after the CR is released. You will receive notification of the article release via the established "medlearn matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within 1 week of the availability of the provider education article. In addition, the provider education article shall be included in your next regularly scheduled bulletin and incorporated into any educational events on this topic. Contractors are free to supplement Medlearn Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly. | | X | | | | | | | |

IV. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

A. Other Instructions:

| X-Ref Requirement # | Instructions |
|---------------------|---|
| 4186.1 | The table of HIPPS code weights in HH Pricer will not be updated. |
| 4186.2 and 4186.3 | Claim statement "Through" dates are reported in FL6 of the UB-92 claim form (or its electronic equivalent). |
| 4186.7 | MSA codes are no longer reported on HH RAPs or claims in association with value code 61. |

B. Design Considerations: N/A

C. Interfaces:

| X-Ref Requirement # | Recommendation for Medicare System Requirements |
|---------------------|---|
| 4186.1 | The input and output records of the HH Pricer module will be changed to accommodate a 5 position CBSA code. |

D. Contractor Financial Reporting /Workload Impact: N/A

E. Dependencies: N/A

F. Testing Considerations: N/A

V. SCHEDULE, CONTACTS, AND FUNDING

| | |
|---|--|
| <p>Effective Date: January 1, 2006</p> <p>Implementation Date: January 3, 2006</p> <p>Pre-Implementation Contact(s): Randy Thronset (410) 786-0131 (Randy.Thronset@cms.hhs.gov) for payment policy questions and/or Wil Gehne (410) 786-6148 (Wilfried.Gehne@cms.hhs.gov) for operational questions.</p> <p>Post-Implementation Contact(s): Appropriate Regional Office</p> | <p>No additional funding will be provided by CMS; Contractor activities are to be carried out within their FY 2006 operating budgets.</p> |
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