

2015 Home Health PPS Rate Update

On November 6, 2014, CMS issued the Final Rule to update the Home Health Prospective Payment System (HH PPS) rates for Calendar Year (CY) 2015. In summary, this final rule:

- Increases the Standardized PPS Base Rate by 3.21%, comprised of :
 - An increase of 3.66% Case Mix Weight recalibration
 - An increase of 0.24% Wage Index Budget Neutrality factor
 - A decrease of 2.72% Rebasing Adjustment (\$80.95)
 - An increase of 2.1% Market Basket Update
- Correspondingly decreases Case Mix Weights by 3.66%
- The Outlier Fixed Dollar Loss (FDL) ratio remains at 0.45 and the Loss Sharing factor remains 80%.
- Retains caps for EACH AGENCY'S outlier payments at 10% of total PPS payments

Section 3131(a) of the Affordable Care Act rule implemented rebasing adjustments, with a 4-year phase-in, to the national, standardized 60-day episode payment rates; the national per-visit rates; and the NRS conversion factor. This rule implements the second year of the four-year phase-in of the rebasing adjustments.

Payments to home health agencies (HHAs) are estimated to decrease by approximately 0.30 percent, or \$60 million in CY 2015

This rule also discusses changes to:

- “Simplify” the face-to-face encounter regulatory requirements;
- Revise the home health quality reporting program requirements;
- Simplify the therapy reassessment timeframes;
- Revise the Speech-Language Pathology (SLP) personnel qualifications; and
- Delay in the implementation of ICD-10-CM

Case Mix Recalibration to Average Weight of 1.0000

The most significant change reflected in the 2014 final rule was the rebasing of all elements of the prospective payment system: the base episodic rates, LUPA per visit rates, and the NRS conversion factor. When the HH PPS was created, it was expected that the average case-mix weight would be around 1.0000, but had consistently been above 1.0000 since the start of PPS. Claims data on non-LUPA episodes showed that the average case-mix weight for non-LUPA episodes in 2012 was 1.3464.

Therefore, as part of rebasing, for CY 2014, CMS lowered them to an average case-mix weight of 1.0000 and increasing the national, standardized 60-day episode payment rate by the same factor used to lower the rates to 1.0000, making the downward adjustment to the weights budget neutral. CMS recalibrated all of the case mix weight categories in the HHRG grouper, resetting them to the average weight of 1.000. This resulted in an across the board reduction on every HHRG by 34.64%. To offset the effect of resetting the case-mix weights such that the average is 1.0000, the 60-day episode payment rate was inflated by the same 34.64% factor used to decrease the weights. The combination of these reduced weights and the increase based rates essentially keep all payments budget neutral BEFORE applying mandated payment updates.

For CY 2015, a recalibration was made to increase the Standardized Episodic PPS Base Rate by 3.66% and correspondingly reducing Case Mix Weights by 3.66%.

Episodic Base Rate

The 2015 Episodic Base Rate is **\$2,961.38** compared to \$2,869.27 for 2014. For patients served in Rural areas, agencies will continue to receive a 3% add-on, resulting in an Episodic Base Rate of **\$3,050.22**. While this may seem like an increase, as stated previously, Case Mix Weights reflect a reduction of 3.66%.

Low Utilization Payment Adjustments (LUPA)

The Standardized Rates used for LUPA's and the Outlier computation changed as follows:

	<u>2015</u>	<u>2014</u>
Skilled Nursing	\$127.83	\$121.10
Physical Therapy	139.75	132.40
Occupational Therapy	140.70	133.30
Speech Therapy	151.88	143.88
Medical Social Worker	204.91	194.12
Home Health Aide	57.89	51.79
<i>Initial or Only Episode add-on payment:</i>		
Skilled Nursing is first skilled visit	108.03	102.34
Physical Therapy is first skilled visit	93.63	88.71
Speech Therapy is first skilled visit	87.59	82.99

As implemented in 2014, CMS will continue to use three LUPA add-on factors in calculating the LUPA add-on payment amount for LUPA episodes that are the only episode or the first episode in a sequence of adjacent episodes. In 2013 a single rate of \$95.85 was made in addition to the initial visit rate. Effective in 2014, CMS finalized three LUPA add-on factors to be used in calculating the LUPA add-on payment amount: 1.8451 for skilled nursing, 1.6700 for physical therapy and 1.6266 for speech-language pathology **when that discipline is the first skilled visit in a LUPA episode** that occurs as the only episode or an initial episode in a sequence of adjacent episodes. For example, if the first skilled visit is a Skilled Nurse, the payment for that visit will be \$223.44 (1.8451 multiplied by \$121.10). Effectively, this translates to an equivalent add-on payment of \$108.03, 93.63, and \$87.59 for SN, PT, and ST, respectively (as reflected in the above table).

Wage Index

The Standardized **Episodic Rate** and the Standardized **LUPA Rates** stated above are BEFORE applying the CBSA **Wage Index Adjustments**.

The **labor-related** share for episodic and LUPA rates remains at 78.535%; meanwhile, the wage index has changed for all CBSA's.

Outliers

No changes were made to the Outlier Fixed Dollar Loss (FDL) factor which remains at **45%** (\$1,332.62) of the Episodic Rate and the Loss Sharing Ratio which remains at **80%**. As implemented in the 2010 final rule, outlier payments will continue to be "capped" at 10% of the AGENCY'S Total PPS Payments. The claims processing system would ensure that for each time a claim for a provider was processed, YTD outlier payments for that calendar year could never exceed 10% of YTD total PPS payments for that provider for that calendar year. The 10% payment cap is intended to penalize agencies that are abusing the outlier system and reward those that have not abused the system.

Non-Routine Supplies (NRS)

The Non-Routine Supply (NRS) Conversion Factor changes from \$53.97 to \$53.65; however, non-routine supply (NRS) relative weights will remain unchanged.

After applying the relative weights for the severity levels, the NRS payment changed as follows:

	<u>Relative</u>		
	<u>Weight</u>	<u>2014</u>	<u>2013</u>
Level 1	0.2698	\$ 14.36	\$ 14.47
Level 2	0.9742	51.86	52.27
Level 3	2.6712	142.19	143.31
Level 4	3.9686	211.25	212.92
Level 5	6.1198	325.76	328.33
Level 6	10.5254	560.27	564.69

Unlike the Episodic rate and the LUPA rates, the above NRS rates are NOT subject to wage adjustment.

Rural Add-on

A 3% rural add-on continues to apply to the Episodic rates, per visit LUPA rates, and Non-Routine Supplies (NRS) rates.

Face-to Face Encounter

For 2015, CMS implements changes to the Face-to Face encounters to “review only the medical record for the patient from the certifying physician or the acute/post-acute care facility (if the patient in that setting was directly admitted to home health) used to support the physician’s certification of patient eligibility.... If the patient’s medical record, used by the physician in certifying eligibility, was not sufficient to demonstrate that the patient was eligible to receive services under the Medicare home health benefit, payment would not be rendered for home health services provided.” CMS “will require the documentation to be provided upon request to the home health agency, review entities, and/or CMS.”

This message does NOT address every aspect of the Final Rule. I strongly encourage you go to the CMS website to read the rule for yourself. The final rule can be found at:

<http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/HomeHealthPPS/Home-Health-Prospective-Payment-System-Regulations-and-Notices-Items/CMS-1611-F.html>

Attached is an **EXCEL SPREADSHEET** file to help you calculate the 2015 rates. It includes a number of tools I think you may find useful. The file contains the following **TABS**:

HHRG: The spreadsheet allows you to enter up to Nine CBSA codes in the **YELLOW** shaded boxes so that you can view the HHRG and LUPA rates for a number of counties in your area. Input your County Code in cells **M5** to **U5** and the HHRG rates will be generated for each HHRG taking into account the wage index for your CBSA. LUPA per visit rates are also generated. Simply go to the **LUPA Rates** tab and print. **HOWEVER**, the NRS amount is NOT reflected into the computations on this HHRG sheet. The advantage to this Tab vs. the **HHRG w NRS** tab is that you can generate rates for multiple CBSA's; however the disadvantage is the NRS amount is not reflected in the computation due to space limitations. The table takes into consideration the 3% rural add-on, which is based on CBSA code 99900 or higher.

HHRG w NRS: To generate a spreadsheet to include the Non-Routine Supply (NRS), enter a CBSA codes in the **YELLOW** shaded box so that you can view the HHRG with NRS Amount. Input your County Code in cells **L5** and the HHRG rates along with a separate column for each NRS Level will be generated for each HHRG taking into account the wage index for your CBSA. Due to a limitation in the number of columns that can be printed and readable, only ONE CBSA can be entered in this sheet.

LUPA Rates: Will compute automatically based on input in the HHRG Rates tab.

Outlier: Computes outlier; you need to know the HIPPS code, along with the CBSA and number of visits. Enter the HIPPS code (rather than the HHRG in Cell G14). You need to enter the **CBSA** code in cell **L3** in the **HHRG w NRS** Tab. The CBSA will automatically transfer to the Outlier Sheet.

CBSA: Reflects all the CBSA's in the Country. It also compares the 2014 and 2013 Wage Index, and reflects the % change for all CBSA's.

Therapy Categories: Shows the **INCREMENTAL** reimbursement increase and the **TOTAL** reimbursement attributable to the Therapy Visits ranges based on Episode Sequence that trigger the change in the Service Utilization Score S1-S5. You can also input your CBSA Code in cell F4 and a report for your specific CBSA will be generated.

HIPPS Code Ref: This table can be useful in correlating the HHRG to the HIPPS code.