2017 Home Health PPS Rate Update

On November 3, 2016, CMS issued the Final Rule to update the Home Health Prospective Payment System (HH PPS) rates for Calendar Year (CY) 2017. In summary, this final rule:

- Increases the Standardized PPS Base Rate by 0.838%, comprised of :
  - An increase of 2.14% Case Mix Weight recalibration
  - An decrease of 0.04% Wage Index Budget Neutrality factor
  - A decrease of 0.97% to account for nominal case-mix growth from 2012 through 2014
  - A decrease of 2.73% Rebasing Adjustment ($80.95)
  - An increase of 2.50% Market Basket Update
- Correspondingly decreases Case Mix Weights by 2.14%
- The Outlier Fixed Dollar Loss (FDL) ratio changes from 0.45 to 0.55 and the Loss Sharing factor remains 80%.
- Retains caps for EACH AGENCY'S outlier payments at 10% of total PPS payments
- Changes the methodology used to calculate outlier payments from a "per visit" to a per-unit approach.

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 fourth and final year of the four-year phase-in of the rebasing adjustments.

Payments to home health agencies (HHAs) are estimated to decrease by approximately 0.7 percent, or $130 million in CY 2017.

This rule also discusses:

- Updates to the Home Health Quality Reporting Program;
- Updates regarding public reporting of performance under the HH VBP Model;
- Implementing a separate payment for furnishing Negative Pressure Wound Therapy (NPWT) using a disposable device for patients under a home health plan of care.

Case Mix Recalibration to Average Weight of 1.0000

For CY 2017, a recalibration was made to increase the Standardized Episodic PPS Base Rate by 2.14% and correspondingly reducing Case Mix Weights by 2.14%.

Episodic Base Rate

The 2017 Episodic Base Rate is **$2,989.97** compared to $2,965.12 for 2016. For patients served in rural areas, agencies will continue to receive a 3% add-on, resulting in an Episodic Base Rate of **$3,079.67.** While this may seem like an increase, as stated previously, Case Mix Weights reflect a budget neutrality reduction of 1.87%.

Low Utilization Payment Adjustments (LUPA)

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

	2017	**2016**
Skilled Nursing	$141.84	$134.42
Physical Therapy	155.05	146.95
Occupational Therapy	156.11	147.95
Speech Therapy	168.52	159.71
Medical Social Worker	227.36	215.47
Home Health Aide	64.23	60.87
Initial or Only Episode add-on payment:	-	-
Skilled Nursing is first skilled visit	119.87	113.60
Physical Therapy is first skilled visit	103.88	98.46
Speech Therapy is first skilled visit	105.59	100.07

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 $261.71 (1.8451 multiplied by $141.84). Effectively, this translates to an equivalent add-on payment of $119.87, $103.88, and $105.59 for SN, PT, and ST, respectively (as reflected in the above table).

Effective for episodes ending on or after January 1, 2017, The LUPA rates will no longer be used in the Outlier computation. Instead, a 15-minute unit will be used in the computation, as further explained below in the Outlier section below.

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

The Outlier Fixed Dollar Loss (FDL) factor changed from 45% to **55%** ($1,644.48) 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.

CMS is changing the methodology used in computing outlier payments. Since the inception of PPS, The Wage Adjusted Standardized Cost used in the computation was based on per-visit LUPA rates by discipline. Effective for episodes ending in 2017, CMS is modifying the outlier methodology as to use a cost-per-15 minute unit approach. The per-unit amount was arrived at by dividing the LUPA rate by the average number of minutes per visit and then multiplying by 15 (minutes), as show in the table below:

Visit type	Cy 2017 National Per-visit Payment Rates	Average Minutes-per-visit	Cost-per-unit (1 Unit = 15 Minutes)
Home health aide	64.23	63.0	15.29
Medical social services	227.36	56.5	60.36
Occupational therapy	156.11	47.1	49.72
Physical therapy	155.05	46.6	49.91
Skilled nursing	141.84	44.8	47.49
Speech-language pathology	168.52	48.1	52.55

The table below illustrates how the 15-minute unit will be determined:

Time	Units
<23 minutes	1
23 minutes to <38 minutes	2
38 minutes to <53 minutes	3
53 minutes to <68 minutes	4
68 minutes to <83 minutes	5
83 minutes to <98 minutes	6
98 minutes to <113 minutes	7
113 minutes to <128 minutes	8
128 minutes to <143 minutes	9
143 minutes to <158 minutes	10

Non-Routine Supplies (NRS)

The Non-Routine Supply (NRS) Conversion Factor changes from $52.71 to $52.50; 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:

	Relative Weight	2017	2016
Level 1	0.2698	$ 14.16	$ 14.22
Level 2	0.9742	51.15	51.35
Level 3	2.6712	140.24	140.80
Level 4	3.9686	208.35	209.18
Level 5	6.1198	321.29	322.57
Level 6	10.5254	552.58	554.79

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.

Value-Based Purchasing (VBP) Takes Effect in Nine States

This final rule also finalizes changes to the Home Health Value-Based Purchasing (HHVBP) Model, which was implemented on January 1,2016.

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:

https://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/HomeHealthPPS/index.html?redirect=/HomeHealthPPS/

Attached is an **EXCEL SPREADSHEET** file to help you calculate the 2017 rates for your individual agency. 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 V5 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*** tab. 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 **C3.**

CBSA: Reflects all the CBSA's in the Country.

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

2% Sequestration: All of the rate computations reflect the reimbursement rates before the 2% reduction.