

An Overview Of The Home Health Prospective Payment System Rate Update For CY 2009

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ABSTRACT

Beginning October 1, 2000, as required by the Balanced Budget Act (BBA) of 1997 and related amendments, Medicare began to reimburse home health agencies for home health services under the new Home Health Prospective Payment System (HHPPS). Under HHPPS, all home health costs for services including medical supplies are paid using a basic unit of payment known as the 60-Day Episode. The amount of the payment is calculated using a national standardized rate, adjusted for case mix and a wage index based on the site of service. For 60-Day Episodes beginning and ending in 2008, the Medicare HHPPS national standardized rate was updated by a new 153 case mix grouping and a new wage index value determined by the site of service for the patient. The August 29, 2008 (72 FR 49792) and November 30, 2008 (72 FR 67656) Federal Registers discuss the “Home Health Prospective Payment System Refinement and Rate Update For Calendar Year 2008” changes which include a rebasing and revising of the home health market basket resulting in new labor portion percentage of 77.082 and non-labor portion percentage of 22.918, the new LUPA (Low Utilization Payment Adjustments) per visit payment amounts, the inclusion of an additional payment for NRS (Non-Routine Supplies), elimination of the SCIC (Significant Change In Condition) payment, and adjustments to PEP (Partial Episode Payment) and Outlier payments. This paper discusses an overview of the updated 2008 Medicare HHPPS national standardized rate for CY 2009.

INTRODUCTION

HHPPS Standardized National 60-Day Episode Rate

*B*eginning October 1, 2000, as required by the Balanced Budget Act (BBA) of 1997 and related amendments, Medicare changed the way it reimbursed home health agencies for home health services using a new Home Health Prospective Payment System (HHPPS). Under HHPPS, all home health costs for services including medical supplies are paid using a basic unit of payment known as the 60-Day Episode. This HHPPS 60-day payment rate includes the six home health service disciplines (skilled nursing, physical therapy, occupational therapy, speech therapy, home health aide, and medical social services). For home health services beginning October 1, 2000, Medicare computed the first HHPPS standardized national 60-day episode rate of \$ 2,115.30 as presented by the following table (1) (PPS 1999).

Table 1: CY 2000 Standardized National 60-Day Episode Payment Calculation

HHA discipline Type / Non-Routine Supplies (NRS)	Average cost per visit from PPS audit sample / Average cost per episode (NRS...)	Average number of visits for episodes with >4 visits from CY 98 episode file	HHA prospective payment rate
Skilled Nursing	\$94.96	14.08	\$1,337.04
Home Health Aide	\$41.75	13.4	\$559.45
Physical Therapy	\$104.05	3.05	\$317.35
Occupational Therapy	\$104.76	.53	\$55.52
Medical Social Service	\$153.59	.32	\$49.15
Speech Therapy	\$113.26	.18	\$20.39
NRS - cost report	\$43.54		\$43.54
NRS – Part B	\$6.08		\$6.08
Part B Therapies	\$17.67		\$17.67
Initial OASIS cost	\$5.50		\$5.50
Cont'd OASIS cost	\$4.32		\$4.32
			\$2,416.01

Total non-standardized payment	Standardized factor - wage index & case-mix	Budget neutrality factor	Outlier adjustment factor	Final standardized 60-day episode rate Oct. 2000
\$2,416.01	/.96184	*.88423	/1.05	\$2,115.30

The standardized 60-day episode rate was updated for each of the following years as noted on table (2) below (PPS 2001; PPS 2002).

Table 2: National Standardized HHPPS Episode Updated FY 2001-2003

National 60-Day Episode Rate Amount Updated FY 2001- 2003 For Episodes Ending Between	National standardized 60-day episode rate
October 1, 2001- September 30, 2002	\$ 2,274.17
October 1, 2002 - September 30, 2003	\$ 2,159.39

Medicare Prescription Drug, Improvement and Modernization Act of 2003 Updates HHPPS

The Medicare Prescription Drug, Improvement and Modernization Act of 2003(DIMA) updated the national home health standard prospective payment system (HHPPS) rates for 60-day episodes ending October 1, 2003-December 31, 2004 and the bill required update payment increases to be computed on a calendar year basis beginning January 1, 2005. The following table (3) reflects the updated standardized 60-day episode rates as required by the 2003 DIMA for the following periods (Medicare Prescription 2003):

Table 3: National Standardized 60-Day Episode Rates Updated by DIMA

MSA (Metropolitan Service Area) Episodes Ending Between	MSA National standardized 60-day episode rate (DIMA)
October 1, 2003-March 31, 2004	\$ 2,230.65
April 1, 2004 - December 31, 2004	\$ 2,213.37
January 1, 2005 - December 31, 2005	\$ 2,264.28

HHPPS 60-Day Episodes For CY 2006 Updated by DIMA

For home health services beginning in 2006, Section 701(b) of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (DIMA) addressed the annual update to the HHPPS 60- day episode rates. DIMA required the 2006 HHPPS payments to be updated based on the home health market basket percentage increase minus 0.8 percent. For 60-day episodes ending on or after January 1, 2006 and ending on or before

December 31, 2006, the updated HHPPS payment rate was computed by multiplying the 2005 calendar year national 60-day episode rate of \$ 2,264.28 by the market basket percentage increase of 3.6% minus 0.8% [$\$2,264.28 \times 1.028$]. The national 60-day episode rate for calendar year 2006 was 2,327.68 as computed in table (4) below (PPS 2005).

Table 4: HHPPS National 60-Day Episode Amounts Updated For CY 2006

Total prospective payment amount per 60-day episode for CY 2005	Multiply by the estimated home health market basket update 3.6 percent minus 0.8 percentage point*	CY 2006 updated national 60-day episode rate
\$ 2,264.28	X 1.028	\$ 2,327.68

* The CY 2006 estimated market basket update was based on Global Insight Inc., 3rd Qtr, 2005 forecast with historical data through 2nd Qtr, 2005 (PPS 2005).

HHPPS National 60-Day Episode Payment Rate For Episodes Beginning and Ending On Or Before CY 2008

For 60-Day Episodes beginning and ending in 2008, the Medicare HHPPS national standardized rate was updated by a new 153 case mix grouping and new wage index value determined by the site of service for the patient. The August 29, 2008 (72 FR 49792) and November 30, 2008(72 FR 67656) Federal Registers discussed the “Home Health Prospective Payment System Refinement and Rate Update For Calendar Year 2008” changes which include a rebasing and revising of the home health market basket resulting in new labor portion percentage of 77.082 and non-labor portion percentage of 22.918, the new LUPA (Low Utilization Payment Adjustments) per visit payment amounts, the inclusion of an additional payment for NRS (Non-Routine Supplies), and the elimination of the SCIC(Significant Change In Condition) payment, and adjustments to PEP (Partial Episode Payment) and Outlier payments (HHPPS 2008).

The following table (5) calculated the national 60-day standardized rate for Medicare HHPPS for episodes beginning and ending on or before CY 2008 (HHPPS 2008).

Table 5: CY 2008 Medicare HHPPS National Standardized 60-Day Payment Rate

CY 2007 National Standardized 60-day episode payment rate	Multiplied by the Home Health Market Update 3.0 percent	Multiplied by outlier adjusted national payment rate	Adjustments for LUPA, SCIC, NRS, Outliers, and 0.0275 reduction for case mix changes	HHPPS CY 2008 National 60-Day Standardized Episode Payment Rate
\$ 2,339.00	X 1.030	X 1.05	-259.31	\$ 2,270.32

WEIGHTS FOR NON-ROUTINE MEDICAL SUPPLIES (NRS)—SIX-GROUP APPROACH CY 2008

NRS payment amounts are computed by multiplying the relative weight for a particular severity level by the NRS conversion factor. The NRS conversion factor was updated by the home health market basket update of 2.9 percent and reduced by the 2.75 percent reduction. The CY 2008 NRS conversion factor for was \$52.35. The following table (6) computes the additional payment for NRS (Non-Routine Supplies) incurred in home health services for CY 2008 60-day episodes. The additional payment amount is based on the severity level of the patient care (PPS 2008).

Table 6: CY 2008 Additional Payment For NRS

Severity Level	Points Scoring	Relative Weight	Conversion Factor	Payment Amount
1	0	0.2698	\$ 52.35	\$ 14.12
2	1 – 14	0.9742	52.35	51.00
3	15-27	2.6712	52.35	139.84
4	28-48	3.9686	52.35	207.76
5	49-98	6.1198	52.35	320.37
6	99+	10.5254	52.35	551.00

CY 2009 Update to the Home Health 60-Day Episode Payment Rate

Effective January 1, 2009, the November 3, 2008 Federal Register (73 FR 213) sets forth final notice of the update to the 60-day national episode rates and the national per visit amounts under the home health prospective payment system. The title of the notice is “Medicare Program; Home Health Prospective System Rate Update for Calendar Year 2009” (HHPPS 2009). In this notice it restates the requirement under Section 1895(b)(3)(B) of the BBA, as amended by section 5201 of the Deficit Reduction Act(DRA), that the national standardized prospective payment rates for home health disciplines be annually updated by a factor equal to the applicable home health market basket. The HH PPS market basket update for CY 2009 is 2.9 percent (HHPPS 2009).

In order to calculate the CY 2009 national standardized 60-day episode rate, the CY 2008 national standardized 60-day episode payment rate of \$2,270.32 is by the home health market basket update of 2.9% for CY 2009. As required by the HHPPS 2008 final rule, a reduction of 2.75 percent is to be taken into account for the nominal change in case-mix (HHPPS 2009). The resulting updated CY 2009 national standardized 60-day episode rate for a home health agency is shown in Table 7.

Table 7: National 60-Day Episode Amounts Updated for CY 2009

National Standardized CY 2008 Payment Rate	Multiply by the 2009 Home Health Market Update of 2.9 percent	Updated National Standardized 2008 Payment Rate	Take Reduction of 2.75 percent for Nominal Change in Case-Mix	Final National Standardized 60-Day Payment Rate CY 2009
\$ 2,270.32	X 1.029	\$ 2,336.16	X 0.9725	\$ 2,271.92

Non-Routine Supplies (NRS)

Beginning in CY 2008, a new system was implemented to pay for non-routine supplies (NRS) based on 6 severity groups (HHPPS 2008). NRS payment amounts are computed by multiplying the relative weight for a particular severity level by the NRS conversion factor. The NRS conversion factor is updated by the home health market basket update of 2.9 percent and decreased by 2.75 percent. The CY 2008 NRS conversion factor for was \$52.35. For CY 2009, the NRS conversion factor is \$52.39 (52.35 x (1.029 x (1-0.0275))) (HHPPS 2009). The payment amounts for the various severity levels based on the updated conversion factor are computed in Table 8.

Table 8: National Standardized Payment Amounts For The 6-Severity NRS System

Severity Level	Scoring (Points)	Relative Weight	Conversion Factor	Payment Amount NRS
1	0	0.2698	\$ 52.39	\$ 14.13
2	1 – 14	0.9742	52.39	51.04
3	15 – 27	2.6712	52.39	139.94
4	28 – 48	3.9686	52.39	207.91
5	49 – 98	6.1198	52.39	320.62
6	99+	10.5254	52.39	551.43

National Per-Visit Payment Amounts Used To Pay LUPAs For CY 2009

The HHPPS 2008 final rule implemented a new LUPA add-on amount of \$87.93 for initial and only episode LUPAs during CY 2008. In determining the CY 2009 national per-visit amounts used to payments for LUPA episodes, the CY 2008 per-visit amounts were increased for each home health discipline for CY 2009 by the home health market basket update (2.9 percent) and not reduced by the 2.75 case mix reduction since LUPAs are per-visit rates and are not subject to changes in case-mix (HHPPS 2009). The CY 2009 updated LUPA per-visit payments before the new additional add-on amount are shown below in Table 9.

Table 9: National Per-Visit Amounts For LUPAs Updated For CY 2009

Home Health Service Discipline	Nationalized Per - Visit Payment Amounts for CY 2008	Multiplied by the 2.9 Percent Home Health Market Basket 2009 Update	Nationalized Per-Visit Payment Amounts for Cy 2009
Home Health Aide	\$ 47.51	x 1.029	\$ 48.89
Medical Social Service	168.71	x 1.029	173.05
Occupational Therapy	115.48	x 1.029	118.83
Physical Therapy	114.71	x 1.029	118.04
Skilled Nursing	104.91	x 1.029	107.95
Speech Therapy	124.65	x 1.029	128.26

The Table 8 per-visit rates computed above are before an additional payment is added to the LUPA payment. Beginning in CY 2008, LUPA payments for episodes billed as the only episode or the initial episode are adjusted by adding an additional amount to the LUPA payment. For CY 2008, that amount was \$87.93. For CY 2009, the additional amount paid to LUPAs billed as initial episodes in a sequence of adjacent episodes or as the only episode is \$90.48 (\$87.93 x 1.029).

Computing The CY 2009 HHPPS 60-Day Episode Payment Rate For A Home Health Agency

The example below demonstrates a sample computation using the national home health standardized prospective payment system (HHPPS) rates for the 60-day episodes ending CY 2009. The example computation includes the new 153 case mix HHPPS per HHRG for a city with the new Core Based Statistical Area (CBSA) codes for labor wage indexes and the labor portion of 77.082 percent and non-labor portion of 22.918 percent (PPS 2008, HHPPS 2009).

	Corpus Christi, Texas
1. 2009 CBSA Number Site of Service	18580
2. HHRG C1F1S1 Case Mix Weight	0.5827
3. Non-Routine Severity Level	1
4. 2009 National 60 Day PPS Rate (See Table 7)	\$2,271.92
5. HHRG Weight C1F1S1	0.5827
6. Case Mix Adjusted PPS (Line 4 * Line 5)	\$1,323.85
7. Labor Rate Percentage	0.77082
8. CBSA Labor Wage Index	0.8598
9. CBSA Labor Wage Adjusted Rate PPS (Line 6 * Line 7 * Line 8)	\$877.38
10. National PPS Rate -Non Labor %	0.22918
11. Case Mix PPS Rate - Non Labor Rate% (Line 6 * Line 10)	\$303.40
12. Adjusted PPS Rate (Line 9 + Line 11)	\$1,180.78
Non-Routine Supply Add On	
13. NRS Conversion Rate (See Table 8)	\$52.39
14. Severity Level Weighted Adjustment	0.2698
15. Computed NRS Supply Payment (Line 13 * Line 14)	\$14.13
16. HHPPS Rate with NRS payment (Line 12 + Line 15)	\$1,194.91

CONCLUSION

Home health agency administrators should calculate and evaluate the Medicare HHPPS payment amounts expected to be received for each of their patients admitted for home health services. These agency administrators should also prepare standardized HHRG payment tables for each of their sites of services. The HHRG tables will reflect the HHPPS payment amount for a patient assigned a particular HHRG within each 60-day episode based on their site of service. Under the 2009 HHPPS, home health agencies are reimbursed one total for all home health

services, including routine and non-routine medical supplies, provided to their patients within each 60-day episode. Home health agencies should calculate their per-patient costs for each type of home health service. By obtaining the per patient cost for each of the different home health services, an agency will be able to determine the total number of visits financially feasible within the 60-day episode using the HHPPS rate amount assigned to patient. Home health agencies should consider HHPPS allows unlimited subsequent 60-day episodes for a patient. Medical services and medical supplies can be provided over several episodes if medically necessary.

AUTHOR INFORMATION

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