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Centers for Medicare & Medicaid Services



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**MLN Matters® Number: MM9406**

**Related Change Request (CR) #: CR 9406**

**Related CR Release Date: October 23, 2015**

**Effective Date: January 1, 2016**

**Related CR Transmittal #: R3383CP**

**Implementation Date: January 4, 2016**

## Home Health Prospective Payment System (HH PPS) Rate Update for Calendar Year (CY) 2016

### Provider Types Affected

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This MLN Matters® Article is intended for Home Health Agencies (HHAs) submitting claims to Medicare Administrative Contractors (MACs) for services to Medicare beneficiaries.

### Provider Action Needed

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CR 9406 informs providers about updates to the 60-day national episode rates, the national per-visit amounts, Low-Utilization Payment Adjustment(LUPA) add-on amounts, and the non-routine medical supply payment amounts under the HH PPS for CY 2016. Make sure your billing staff is aware of this update.

### Background

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The Affordable Care Act mandated several changes to Section 1895(b) of the Social Security Act (the Act) and hence the HH PPS Update for CY 2016.

Section 3131(a) of the Affordable Care Act mandated that starting in CY 2014, the Secretary must apply an adjustment to the national, standardized 60-day episode payment

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rate and other amounts applicable under Section 1895(b)(3)(A)(i)(III) of the Act to reflect factors such as changes in the number of visits in an episode, the mix of services in an episode, the level of intensity of services in an episode, the average cost of providing care per episode, and other relevant factors. In addition, Section 3131(a) of the Affordable Care Act mandates that this rebasing must be phased-in over a 4-year period in equal increments, not to exceed 3.5 percent of the amount (or amounts), as of the date of enactment, applicable under Section 1895(b)(3)(A)(i)(III) of the Act, and be fully implemented by CY 2017.

Section 3401(e) of the ACA requires that the market basket percentage under the HH PPS be annually adjusted by changes in economy-wide productivity for CY 2015 and each subsequent calendar year.

In addition to the Affordable Care Act mandates, Section 421(a) of the Medicare Modernization Act (MMA), as amended by Section 210 of the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) (Pub. L. 114-10), provides an increase of 3 percent of the payment amount otherwise made under Section 1895 of the Act for home health services furnished in a rural area (as defined in Section 1886(d)(2)(D) of the Act), with respect to episodes and visits ending on or after April 1, 2010, and before January 1, 2018. The statute waives budget neutrality related to this provision, as the statute specifically states that the Secretary shall not reduce the standard prospective payment amount (or amounts) under Section 1895 of the Act applicable to home health services furnished during a period to offset the increase in payments resulting in the application of this section of the statute.

### **Market Basket Update**

The CY 2016 HH market basket update is 2.3 percent which is then reduced by a multi-factor productivity (MFP) adjustment of 0.4 percentage points. The resulting HH payment update is equal to 1.9 percent. HHAs that do not report the required quality data will receive a 2 percentage point reduction to the HH payment update of 1.9 percent.

### **National Standardized 60-Day Episode Payment**

As described in the CY 2016 final rule, to determine the CY 2016 national, standardized 60-day episode payment rate, CMS applies a wage index budget neutrality factor of 1.0011 and a case-mix budget neutrality factor of 1.0187 to the previous calendar year's national, standardized 60-day episode rate (\$2,961.38). In order to account for nominal case-mix growth from CY 2012 to CY 2013, CMS applies a payment reduction of 0.97 percent to the CY 2016 national, standardized 60-day episode payment rate. This reduction will also be applied to the CY 2017 and CY 2018 national, standardized 60-day episode payment rate. CMS then applies an \$80.95 reduction (which is 3.5 percent of the CY 2010 national, standardized 60-day episode rate of \$2,312.94) to the national, standardized 60-day episode rate. Lastly, the national, standardized 60-day episode payment rate is updated by the CY 2016 HH payment update percentage of 1.9 percent for HHAs that submit the required quality data and by 1.9 percent minus 2 percentage points or -0.1 percent for HHAs that do not submit quality data. These two episode payment rates are shown in Tables 1 and 2 below. These payments are further adjusted by the individual episode's case-mix weight and by the wage index.

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**Table 1: For HHAs that DO Submit Quality Data – National 60-Day Episode Amounts Updated by the MFP adjusted Home Health Market Basket Update for CY 2016 Before Case-Mix Adjustment, Wage Index Adjustment Based on the Site of Service for the Beneficiary**

<b>CY 2015 National, Standardized 60-Day Episode Payment</b>	<b>Wage Index Budget Neutrality Factor</b>	<b>Case-Mix Weights Budget Neutrality Factor</b>	<b>Nominal Case-Mix Growth Adjustment</b>	<b>2016 Rebasing Adjustment</b>	<b>CY 2016 HH Payment Update Percentage</b>	<b>CY 2016 National, Standardized 60-Day Episode Payment</b>
\$2,961.38	X 1.0011	X 1.0187	X 0.9903	-\$80.95	X 1.019	=\$2,965.12

**Table 2: For HHAs that DO NOT Submit Quality Data – National 60-Day Episode Amounts Updated by the MFP adjusted Home Health Market Basket Update for CY 2016 Before Case-Mix Adjustment, Wage Index Adjustment Based on the Site of Service for the Beneficiary**

<b>CY 2015 National, Standardized 60-Day Episode Payment</b>	<b>Wage Index Budget Neutrality Factor</b>	<b>Case-Mix Weights Budget Neutrality Factor</b>	<b>Nominal Case-Mix Growth Adjustment</b>	<b>2016 Rebasing Adjustment</b>	<b>CY 2016 HH Payment Update Percentage</b>	<b>CY 2016 National, Standardized 60-Day Episode Payment</b>
\$2,961.38	X 1.0011	X 1.0187	X 0.9903	-\$80.95	X 0.999	=\$2,906.92

### **National Per-Visit Rates**

To calculate the CY 2016 national per-visit payment rates, CMS starts with the CY 2015 national per-visit rates. CMS applies a wage index budget neutrality factor of 1.0010 to ensure budget neutrality for LUPA per-visit payments after applying the CY 2016 wage index, and then applies the maximum rebasing adjustments to the per-visit rates for each discipline. The per-visit rates are then updated by the CY 2016 HH payment update of 1.9 percent for HHAs that submit the required quality data and by -0.1 percent for HHAs that do not submit quality data. The per-visit rates are shown in Tables 3 and 4.

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Table 3: For HHAs that DO Submit Quality Data – CY 2016 National Per-Visit Amounts for LUPAs and Outlier Calculations Updated by the MFP adjusted HH Market Basket Update, Before Wage Index Adjustment

HH Discipline Type	CY 2015 Per-Visit Payment	Wage Index Budget Neutrality Factor	2016 Rebasing Adjustment	CY 2016 HH Payment Update Percentage	CY 2016 Per-Visit Payment
Home Health Aide	\$57.89	X 1.0010	+\$1.79	X 1.019	\$60.87
Medical Social Services	\$204.91	X 1.0010	+\$6.34	X 1.019	\$215.47
Occupational Therapy	\$140.70	X 1.0010	+\$4.35	X 1.019	\$147.95
Physical Therapy	\$139.75	X 1.0010	+\$4.32	X 1.019	\$146.95
Skilled Nursing	\$127.83	X 1.0010	+\$3.96	X 1.019	\$134.42
Speech-Language Pathology	\$151.88	X 1.0010	+\$4.70	X 1.019	\$159.71

Table 4: For HHAs that DO NOT Submit Quality Data – CY 2016 National Per-Visit Amounts for LUPAs and Outlier Calculations Updated by the MFP adjusted HH Market Basket Update, Before Wage Index Adjustment

HH Discipline Type	CY 2015 Per-Visit Payment	Wage Index Budget Neutrality Factor	2016 Rebasing Adjustment	CY 2016 HH Payment Update Percentage	CY 2016 Per-Visit Payment
Home Health Aide	\$57.89	X 1.0010	+\$1.79	X 0.999	\$59.68
Medical Social Services	\$204.91	X 1.0010	+\$6.34	X 0.999	\$211.24
Occupational Therapy	\$140.70	X 1.0010	+\$4.35	X 0.999	\$145.05
Physical Therapy	\$139.75	X 1.0010	+\$4.32	X 0.999	\$144.07
Skilled Nursing	\$127.83	X 1.0010	+\$3.96	X 0.999	\$131.79
Speech-Language Pathology	\$151.88	X 1.0010	+\$4.70	X 0.999	\$156.58

### **LUPA Add-On Payments**

LUPA episodes that occur as initial episodes in a sequence of adjacent episodes or as the only episode receive an additional payment. Beginning in CY 2014, CMS calculates the payment for the first visit in a LUPA episode by multiplying the per-visit rate by a LUPA add-on factor specific to

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the type of visit (skilled nursing, physical therapy, speech-language pathology). The specific requirements for the new LUPA add-on calculation are described in [CR 8380, Transmittal 2828](#) dated November 27, 2013. The LUPA add-on adjustment factors are displayed in Table 5.

**Table 5: CY 2016 LUPA Add-On Factors**

HH Discipline Type	Add-On Factor
Skilled Nursing	1.8451
Physical Therapy	1.6700
Speech-Language Pathology	1.6266

### **Non-Routine Supply Payments**

Payments for non-routine supplies (NRS) are computed by multiplying the relative weight for a particular NRS severity level by an NRS conversion factor. To determine the CY 2016 NRS conversion factors, CMS starts with the CY 2015 NRS conversion factor (\$53.23) and applies a 2.82 percent rebasing adjustment as described in the CY 2016 final rule. CMS then updates the conversion factor by the CY 2016 HH payment update of 1.9 percent for HHAs that submit the required quality data and by -0.1 percent for HHAs that do not submit quality data. CMS does not apply a standardization factor as the NRS payment amount calculated from the conversion factor is not wage or case-mix adjusted when the final payment amount is computed. The NRS conversion factor for CY 2016 payments for HHAs that do submit the required quality data is shown in Table 6a and the payment amounts for the various NRS severity levels are shown in Table 6b.

**Table 6a: CY 2016 NRS Conversion Factor for HHAs that DO Submit the Required Quality Data**

CY 2015 NRS Conversion Factor	2016 Rebasing Adjustment	CY 2016 HH Payment Update Percentage	CY 2016 NRS Conversion Factor
\$53.23	X 0.9718	X 1.019	\$52.71

**Table 6b: CY 2016 Relative Weights and Payment Amounts for the 6-Severity NRS System for HHAs that DO Submit Quality Data**

Severity Level	Points (Scoring)	Relative Weight	CY 2016 NRS Payment Amount
1	0	0.2698	\$14.22
2	1 to 14	0.9742	\$51.35
3	15 to 27	2.6712	\$140.80
4	28 to 48	3.9686	\$209.18
5	49 to 98	6.1198	\$322.57
6	99+	10.5254	\$554.79

The NRS conversion factor for CY 2016 payments for HHAs that do not submit quality data is shown in Table 7a and the payment amounts for the various NRS severity levels are shown in Table 7b.

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**Table 7a: CY 2016 NRS Conversion Factor for HHAs that DO NOT Submit the Required Quality Data**

CY 2015 NRS Conversion Factor	2016 Rebasing Adjustment	CY 2016 HH Payment Update Percentage	CY 2016 NRS Conversion Factor
\$53.23	X 0.9718	X 0.999	\$51.68

**Table 7b: CY 2016 Relative Weights and Payment Amounts for the 6-Severity NRS System for HHAs that DO NOT Submit Quality Data**

Severity Level	Points (Scoring)	Relative Weight	CY 2016 NRS Payment Amount
1	0	0.2698	\$13.94
2	1 to 14	0.9742	\$50.35
3	15 to 27	2.6712	\$138.05
4	28 to 48	3.9686	\$205.10
5	49 to 98	6.1198	\$316.27
6	99+	10.5254	\$543.95

**Rural Add-On**

As stipulated in section 421(a) of the MMA, the 3 percent rural add-on is applied to the national standardized 60-day episode rate, national per-visit payment rates, LUPA add-on payments, and the NRS conversion factor when home health services are provided in rural (non-CBSA) areas for episodes and visits ending on or after April 1, 2010, and before January 1, 2018. Refer to Tables 8 through 10b for the CY 2016 rural payment rates.

**Table 8a: CY 2016 Payment Amounts for 60-Day Episodes for Services Provided in a Rural Area Before Case-Mix and Wage Index Adjustment for HHAs that DO Submit Quality Data**

CY 2016 National, Standardized 60-Day Episode Payment Rate	Multiply by the 3 Percent Rural Add-On	CY 2016 Rural National Standardized 60-Day Episode Payment Rate
\$2,965.12	X 1.03	\$3,054.07

**Table 8b: CY 2016 Payment Amounts for 60-Day Episodes for Services Provided in a Rural Area Before Case-Mix and Wage Index Adjustment for HHAs that DO NOT Submit Quality Data**

CY 2016 National, Standardized 60-Day Episode Payment Rate	Multiply by the 3 Percent Rural Add-On	CY 2016 Rural National Standardized 60-Day Episode Payment Rate
\$2,906.92	X 1.03	\$2,994.13

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**Table 9a: CY 2016 Per-Visit Amounts for Services Provided in Rural Area, Before Wage Index Adjustment for HHAs that DO Submit Quality Data**

Home Health Discipline Type	CY 2016 Per-Visit Rate	Multiply by the 3 Percent Rural Add-On	CY 2016 Rural Per-Visit Rate
HH Aide	\$60.87	X 1.03	\$62.70
MSS	\$215.47	X 1.03	\$221.93
OT	\$147.95	X 1.03	\$152.39
PT	\$146.95	X 1.03	\$151.36
SN	\$134.42	X 1.03	\$138.45
SLP	\$159.71	X 1.03	\$164.50

**Table 9b: CY 2016 Per-Visit Amounts for Services Provided in Rural Area, Before Wage Index Adjustment for HHAs that DO NOT Submit Quality Data**

Home Health Discipline Type	CY 2016 Per-Visit Rate	Multiply by the 3 Percent Rural Add-On	CY 2016 Rural Per-Visit Rate
HH Aide	\$59.68	X 1.03	\$61.47
MSS	\$211.24	X 1.03	\$217.58
OT	\$145.05	X 1.03	\$149.40
PT	\$144.07	X 1.03	\$148.39
SN	\$131.79	X 1.03	\$135.74
SLP	\$156.58	X 1.03	\$161.28

**Table 10a: CY 2016 Conversion Factor for Services Provided in Rural Areas**

For HHAs that DO Submit Quality Data			For HHAs that DO NOT Submit Quality Data		
CY 2016 Conversion Rates	Multiply by the 3 Percent Rural Add-On	CY 2016 Rural Conversion Factor	CY 2016 Conversion Factor	Multiply by the 3 Percent Rural Add-On	CY 2016 Rural Conversion Factor
\$52.71	X 1.03	\$54.29	\$51.68	X 1.03	\$53.23

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**Table 10b: CY 2016 Relative Weights and Payment Amounts for the 6-Severity NRS System for Services Provided in Rural Areas**

Severity Level	Points (Scoring)	For HHAs that DO Submit Quality Data		For HHAs that DO NOT Submit Quality Data	
		Relative Weight	Total CY 2016 NRS Payment Amount for Rural Areas	Relative Weight	Total CY 2016 NRS Payment Amount for Rural Areas
1	0	0.2698	\$14.65	0.2698	\$14.36
2	1 to 14	0.9742	\$52.89	0.9742	\$51.86
3	15 to 27	2.6712	\$145.02	2.6712	\$142.19
4	28 to 48	3.9686	\$215.46	3.9686	\$211.25
5	49 to 98	6.1198	\$332.24	6.1198	\$325.76
6	99+	10.5254	\$571.42	10.5254	\$560.27

### **Clarification Regarding the Use of the “Initial Encounter” Seventh Character, Applicable to Certain ICD-10-CM Code Categories, under the HH PPS**

The ICD-10-CM coding guidelines regarding the use of the seventh character assignment for diagnosis codes in Chapter 19, “Injury, Poisoning, and Certain Other Consequences of External Causes (S00–T88)” were revised. Based upon the revised guidance, coding certain diagnosis codes as “initial encounters” would be appropriate when the patient is receiving active treatment during a home health episode. Initial encounters are not based on chronology of care or whether the patient is seeing the same or a new provider for the same condition.

A revised translation list effective January 1, 2016, will be posted on the CMS website. Also effective, January 1, 2016, the Home Health Prospective Payment System Grouper logic will be revised to award points for certain initial encounter codes based upon the revised ICD-10-CM coding guidelines for M0090 dates on or after October 1, 2015. HHAs should review their OASIS records and claims submitted between October 1, 2015 and December 31, 2015, to determine if they should submit a modification of their assessment and adjust their claim with a revised HIPPS code that was assigned to the OASIS record based upon the revised grouper logic.

These changes are implemented through the Home Health Pricer software found in Medicare contractor standard systems.

### **Additional Information**

The official instruction, CR9406 issued to your MAC regarding this change is available at <http://www.cms.hhs.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R3383CP.pdf> on the CMS website.

If you have any questions, please contact your MAC at their toll-free number. That number is available at <http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/index.html> under - How Does It Work.

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