

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services



MLN Matters® Number: MM9820

Related Change Request (CR) #: CR 9820

Related CR Release Date: October 14, 2016 **Effective Date: January 1, 2017**

Related CR Transmittal #: R3624CP

Implementation Date: January 3, 2017

Home Health Prospective Payment System (HH PPS) Rate Update for Calendar Year (CY) 2017

Provider Types Affected

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

Provider Action Needed

Change Request (CR) 9820 updates the national, standardized 60-day episode rates, the national per-visit rates, and the non-routine medical supply payment amounts under the HH PPS for Calendar Year (CY) 2017. Make sure your billing staff are aware of these changes.

Background

The Affordable Care Act (Section 3131(a)) mandates that starting in CY 2014, the Centers for Medicare & Medicaid Services (CMS) must apply an adjustment to the national, standardized 60-day episode payment rate and other amounts applicable under the Social Security Act (Section 1895(b)(3)(A)(i)(III)) 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. The Affordable Care Act (Section 3131(a)) 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 the Social Security Act (Section 1895(b)(3)(A)(i)(III)), and be fully implemented by CY 2017.

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In addition, the Affordable Care Act (Section 3401(e)) 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.

[The Medicare Modernization Act](#) (MMA; Section 421(a)), as amended by the [Medicare Access and CHIP Reauthorization Act of 2015](#) (MACRA; Pub. L. 114–10; Section 210), provides an increase of 3 percent of the payment amount otherwise made under the Social Security Act (Section 1895) for home health services furnished in a rural area (as defined in the [Social Security Act \(Section 1886\(d\)\(2\)\(D\)\)](#)), 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 CMS will not reduce the standard prospective payment amount (or amounts) under the Social Security Act (Section 1895) 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 2017 HH market basket update is 2.8 percent which is then reduced by a multi-factor productivity (MFP) adjustment of 0.3 percentage points. The resulting home health (HH) payment update is equal to 2.5 percent. HHAs that do not report the required quality data will receive a 2 percentage point reduction to the HH payment update.

National, Standardized 60-Day Episode Payment

As described in the CY 2017 HH PPS final rule, in order to calculate the CY 2017 national, standardized 60-day episode payment rate, CMS applies a wage index budget neutrality factor of 0.9996 and a case-mix budget neutrality factor of 1.0214 to the previous calendar year's national, standardized 60-day episode rate. In order to account for nominal case-mix growth from CY 2012 to CY 2014, CMS applies a payment reduction of 0.97 percent to the national, standardized 60-day episode payment rate. CMS then applies an \$80.95 rebasing 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 2017 HH payment update percentage of 2.5 percent for HHAs that submit the required quality data and by 2.5 percent minus 2 percentage points, or 0.5 percent, for HHAs that do not submit quality data. These two episode payment rates are shown in Table 1 and Table 2. These payments are further adjusted by the individual episode's case-mix weight and by the wage index.

Table 1: For HHAs that DO Submit Quality Data – National, Standardized 60-Day Episode Amount for CY 2017

CY 2016 National, Standardized 60-Day Episode Payment	Wage Index Budget Neutrality Factor	Case-Mix Weights Budget Neutrality Factor	Nominal Case-Mix Growth Adjustment	CY 2017 Rebasing Adjustment	CY 2017 HH Payment Update	CY 2017 National, Standardized 60-Day Episode Payment
\$2,965.12	X 0.9996	X 1.0214	X 0.9903	-\$80.95	X 1.025	\$2,989.97

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Table 2: For HHAs that DO NOT Submit Quality Data – National, Standardized 60-Day Episode Amount for CY 2017

CY 2016 National, Standardized 60-Day Episode Payment	Wage Index Budget Neutrality Factor	Case-Mix Weights Budget Neutrality Factor	Nominal Case-Mix Growth Adjustment	CY 2017 Rebasing Adjustment	CY 2017 HH Payment Update Minus 2 Percentage Points	CY 2017 National, Standardized 60-Day Episode Payment
\$2,965.12	X 0.9996	X 1.0214	X 0.9903	-\$80.95	X 1.005	\$2,931.63

National Per-Visit Rates

In order to calculate the CY 2017 national per-visit payment rates, CMS starts with the CY 2016 national per-visit rates. CMS applies a wage index budget neutrality factor of 1.0000 to ensure budget neutrality for low utilization payment adjustment (LUPA) per-visit payments after applying the CY 2017 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 2017 HH payment update of 2.5 percent for HHAs that submit the required quality data and by 0.5 percent for HHAs that do not submit quality data. The per-visit rates are shown in Table 3 and Table 4.

Table 3: For HHAs that DO Submit Quality Data – CY 2017 National Per-Visit Amounts for LUPAs and Outlier Calculations

HH Discipline Type	CY 2016 Per-Visit Payment	Wage Index Budget Neutrality Factor	CY 2017 Rebasing Adjustment	CY 2017 HH Payment Update	CY 2017 Per-Visit Payment
Home Health Aide	\$60.87	X 1.0000	+ \$1.79	X 1.025	\$64.23
Medical Social Services	\$215.47	X 1.0000	+ \$6.34	X 1.025	\$227.36
Occupational Therapy	\$147.95	X 1.0000	+ \$4.35	X 1.025	\$156.11
Physical Therapy	\$146.95	X 1.0000	+ \$4.32	X 1.025	\$155.05
Skilled Nursing	\$134.42	X 1.0000	+ \$3.96	X 1.025	\$141.84
Speech-Language Pathology	\$159.71	X 1.0000	+ 4.70	X 1.025	\$168.52

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Table 4: For HHAs that DO NOT Submit Quality Data – CY 2017 National Per-Visit Amounts for LUPAs and Outlier Calculations

HH Discipline Type	CY 2016 Per-Visit Payment	Wage Index Budget Neutrality Factor	CY 2017 Rebasing Adjustment	CY 2017 HH Payment Update	CY 2017 Per-Visit Payment
Home Health Aide	\$60.87	X 1.0000	+ \$1.79	X 1.005	\$62.97
Medical Social Services	\$215.47	X 1.0000	+ \$6.34	X 1.005	\$222.92
Occupational Therapy	\$147.95	X 1.0000	+ \$4.35	X 1.005	\$153.06
Physical Therapy	\$146.95	X 1.0000	+ \$4.32	X 1.005	\$152.03
Skilled Nursing	\$134.42	X 1.0000	+ \$3.96	X 1.005	\$139.07
Speech-Language Pathology	\$159.71	X 1.0000	+ 4.70	X 1.005	\$165.23

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 2017 NRS conversion factors, CMS starts with the CY 2016 NRS conversion factor and applies a 2.82 percent rebasing adjustment as described in the CY 2017 HH PPS final rule. CMS then updates the conversion factor by the CY 2017 HH payment update of 2.5 percent for HHAs that submit the required quality data and by 0.5 percent for HHAs that do not submit quality data. CMS does not apply any standardization factors as the NRS payment amount calculated from the conversion factor is neither wage nor case-mix adjusted when the final payment amount is computed. The NRS conversion factor for CY 2017 payments for HHAs that do submit the required quality data is shown in Table 5a and the payment amounts for the various NRS severity levels are shown in Table 5b. The NRS conversion factor for CY 2017 payments for HHAs that do not submit quality data is shown in Table 6a and the payment amounts for the various NRS severity levels are shown in Table 6b.

Table 5a: CY 2017 NRS Conversion Factor for HHAs that DO Submit the Required Quality Data

CY 2016 NRS Conversion Factor	CY 2017 Rebasing Adjustment	CY 2017 HH Payment Update	CY 2017 NRS Conversion Factor
\$52.71	X 0.9718	X 1.025	\$52.50

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Table 5b: CY 2017 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 2017 NRS Payment Amounts
1	0	0.2698	\$ 14.16
2	1 to 14	0.9742	\$ 51.15
3	15 to 27	2.6712	\$ 140.24
4	28 to 48	3.9686	\$ 208.35
5	49 to 98	6.1198	\$ 321.29
6	99+	10.5254	\$ 552.58

Table 6a: CY 2017 NRS Conversion Factor for HHAs that DO NOT Submit the Required Quality Data

CY 2016 NRS Conversion Factor	CY 2017 Rebasing Adjustment	CY 2017 HH Payment Update Percentage Minus 2 Percentage Points	CY 2017 NRS Conversion Factor
\$52.71	X 0.9718	X 1.005	\$51.48

Table 6b: CY 2017 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 2017 NRS Payment Amounts
1	0	0.2698	\$ 13.89
2	1 to 14	0.9742	\$ 50.15
3	15 to 27	2.6712	\$ 137.51
4	28 to 48	3.9686	\$ 204.30
5	49 to 98	6.1198	\$ 315.05
6	99+	10.5254	\$ 541.85

Rural Add-On

As stipulated in the MMA (Section 421(a)), 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 Table 7, Table 8, Table 9a and Table 9b which follow below for the CY 2017 rural payment rates.

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Table 7: CY 2017 National, Standardized 60-Day Payment Amounts for Services Provided in a Rural Area

For HHAs that DO Submit Quality Data			For HHAs that DO NOT Submit Quality Data		
CY 2017 National, Standardized 60-Day Episode Payment Rate	Multiply by the 3 Percent Rural Add-On	CY 2017 Rural National, Standardized 60-Day Episode Payment Rate	CY 2017 National, Standardized 60-Day Episode Payment Rate	Multiply by the 3 Percent Rural Add-On	CY 2017 Rural National, Standardized 60-Day Episode Payment Rate
\$2,989.97	X 1.03	\$3,079.67	\$2,931.63	X 1.03	\$3,019.58

Table 8: CY 2017 National Per-Visit Amounts for Services Provided in a Rural Area

HH Discipline Type	For HHAs that DO submit quality data			For HHAs that DO NOT submit quality data		
	CY 2017 Per-visit rate	Multiply by the 3 Percent Rural Add-On	CY 2017 Rural Per-Visit Rates	CY 2017 Per-visit rate	Multiply by the 3 Percent Rural Add-On	CY 2017 Rural Per-Visit Rates
HH Aide	\$64.23	X 1.03	\$66.16	\$62.97	X 1.03	\$64.86
MSS	\$227.36	X 1.03	\$234.18	\$222.92	X 1.03	\$229.61
OT	\$156.11	X 1.03	\$160.79	\$153.06	X 1.03	\$157.65
PT	\$155.05	X 1.03	\$159.70	\$152.03	X 1.03	\$156.59
SN	\$141.84	X 1.03	\$146.10	\$139.07	X 1.03	\$143.24
SLP	\$168.52	X 1.03	\$173.58	\$165.23	X 1.03	\$170.19

Table 9a: CY 2017 NRS Conversion Factor for Services Provided in Rural Areas

For HHAs that DO submit quality data			For HHAs that DO NOT submit quality data		
CY 2017 Conversion Factor	Multiply by the 3 Percent Rural Add-On	CY 2017 Rural NRS Conversion Factor	CY 2017 Conversion Factor	Multiply by the 3 Percent Rural Add-On	CY 2017 Rural NRS Conversion Factor
\$52.50	X 1.03	\$54.08	\$51.48	X 1.03	\$53.02

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Table 9b: CY 2017 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	CY 2017 NRS Payment Amounts for Rural Areas	Relative Weight	CY 2017 NRS Payment Amounts for Rural Areas
1	0	0.2698	\$14.59	0.2698	\$14.30
2	1 to 14	0.9742	\$52.68	0.9742	\$51.65
3	15 to 27	2.6712	\$144.46	2.6712	\$141.63
4	28 to 48	3.9686	\$214.62	3.9686	\$210.42
5	49 to 98	6.1198	\$330.96	6.1198	\$324.47
6	99+	10.5254	\$569.21	10.5254	\$558.06

These changes are implemented through the Home Health Pricer software in Medicare's shared systems.

Additional Information

The official instruction, CR 9820, issued to your MAC regarding this change is available at <https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/Downloads/R3624CP.pdf>.

If you have any questions, please contact your MAC at their toll-free number. That number is available at <https://www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/Medicare-FFS-Compliance-Programs/Review-Contractor-Directory-Interactive-Map/>.

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