



## Home Health Prospective Payment System (HH PPS) Rate Update for Calendar Year (CY) 2019

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### PROVIDER TYPE AFFECTED

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

### WHAT YOU NEED TO KNOW

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CR10992 updates the 60-day national episode rates, the national per-visit amounts, Low Utilization Payment Adjustment (LUPA) add-on amounts, the non-routine medical supply payment amounts, and the cost-per-unit payment amounts used for calculating outlier payments under the HH PPS for CY 2019. Make sure that your billing staffs are aware of these changes.

### BACKGROUND

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Section 1895(b)(3)(B) of the Social Security Act (the Act) requires that the Medicare Home Health Prospective Payment System (HH PPS) rates provided to HHAs for furnishing home health services, must be updated annually. The CY 2019 HH PPS rate update includes an update to the case-mix weights as provided by Section 1895(b)(4)(A)(i) and (b)(4)(B) of the Act. The CY 2019 HH PPS rates for services provided to beneficiaries who reside in rural areas will be increased as required by Section 421(b) of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA), as amended by Section 50208 of the Bipartisan Budget Act of 2018.

#### Market Basket Update

Section 411(d) of the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA) amended Section 1895(b)(3)(B) of the Act, increasing the market basket percentage for home health payments for CY 2019 to 2.2 percent. Further, Section 1895(b)(3)(B) of the Act requires that the home health payment update be decreased by 2 percentage points for those Home Health Agencies (HHAs) that do not submit quality data as required by the Secretary of Health

and Human Services. For HHAs that do not submit the required quality data for CY 2019, the home health payment update would be 0.2 percent (2.2 percent minus 2 percentage points). The CY 2019 HH PPS final rule also changed the labor-related share used to wage-adjust payments under the HH PPS to 76.1 percent and the corresponding non-labor-related share to 23.9 percent.

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

As described in the CY 2019 HH PPS final rule, in order to calculate the CY 2019 national, standardized 60-day episode payment rate, the Centers for Medicare & Medicaid Services (CMS) applies a wage index budget neutrality factor of 0.9985 and a case-mix budget neutrality factor of 1.0169 to the previous calendar year's national, standardized 60-day episode rate (\$3,039.64). Additionally, the national, standardized 60-day episode payment rate is updated by the CY 2019 HH payment update percentage of 2.2 percent for HHAs that submit the required quality data and by 2.2 percent minus 2 percentage points, or 0.2 percent, for HHAs that do not submit quality data. These two episode payment rates are shown in Tables 1 and 2, below. Please note that these payments are further adjusted by the individual episode's case-mix weight and by the wage index.

**Table 1 - CY 2019 National, Standardized 60-Day Episode Payment Amount**

<b>CY 2018 National, Standardized 60-Day Episode Payment</b>	<b>Wage Index Budget Neutrality Factor</b>	<b>Case-Mix Weights Budget Neutrality Factor</b>	<b>CY 2019 HH Payment Update</b>	<b>CY 2019 National, Standardized 60-Day Episode Payment</b>
\$3,039.64	X 0.9985	X 1.0169	X 1.022	\$3,154.27

**Table 2 - CY 2019 National, Standardized 60-Day Episode Payment Amount for HHAs That DO NOT Submit the Quality Data**

<b>CY 2018 National, Standardized 60-Day Episode Payment</b>	<b>Wage Index Budget Neutrality Factor</b>	<b>Case-Mix Weights Budget Neutrality Factor</b>	<b>CY 2019 HH Payment Update Minus 2 Percentage Points</b>	<b>CY 2019 National, Standardized 60-Day Episode Payment</b>
\$3,039.64	X 0.9985	X 1.0169	X 1.002	\$3,092.55

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

To calculate the CY 2019 national per-visit payment rates, CMS starts with the CY 2018 national per-visit rates and applies a wage index budget neutrality factor of 0.9996 to ensure budget neutrality for LUPA per-visit payments after applying the CY 2019 wage index. The per-visit rates are then updated by the CY 2019 HH payment update of 2.2 percent for HHAs that submit the required quality data and by 0.2 percent for HHAs that do not submit quality data.

The per-visit rates are shown in Tables 3 and 4, below.

**Table 3 - CY 2019 National Per-Visit Payment Amounts for HHAs That DO Submit the Required Quality Data**

HH Discipline	CY 2018 Per-Visit Payment	Wage Index Budget Neutrality Factor	CY 2019 HH Payment Update	CY 2019 Per-Visit Payment
Home Health Aide	\$64.94	X 0.9996	X 1.022	\$66.34
Medical Social Services	\$229.86	X 0.9996	X 1.022	\$234.82
Occupational Therapy	\$157.83	X 0.9996	X 1.022	\$161.24
Physical Therapy	\$156.76	X 0.9996	X 1.022	\$160.14
Skilled Nursing	\$143.40	X 0.9996	X 1.022	\$146.50
Speech- Language Pathology	\$170.38	X 0.9996	X 1.022	\$174.06

**Table 4 - CY 2019 National Per-Visit Payment Amounts for HHAs That DO NOT Submit the Required Quality Data**

HH Discipline	CY 2018 Per-Visit Rates	Wage Index Budget Neutrality Factor	CY 2019 HH Payment Update Minus 2 Percentage Points	CY 2019 Per-Visit Rates
Home Health Aide	\$64.94	X 0.9996	X 1.002	\$65.04
Medical Social Services	\$229.86	X 0.9996	X 1.002	\$230.23
Occupational Therapy	\$157.83	X 0.9996	X 1.002	\$158.08
Physical Therapy	\$156.76	X 0.9996	X 1.002	\$157.01
Skilled Nursing	\$143.40	X 0.9996	X 1.002	\$143.63
Speech- Language Pathology	\$170.38	X 0.9996	X 1.002	\$170.65

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

CMS computes payments for Non-Routine Supplies (NRS) by multiplying the relative weight for a particular NRS severity level by an NRS conversion factor. To determine the CY 2019 NRS conversion factors, CMS updates the CY 2018 NRS conversion factor by the CY 2019 HH payment update of 2.2 percent for HHAs that submit the required quality data and by 0.2 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 2019 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 2019 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 2019 NRS Conversion Factor for HHAs That DO Submit the Required Quality Data**

CY 2018 NRS Conversion Factor	CY 2019 HH Payment Update	CY 2019 NRS Conversion Factor
\$53.03	X 1.022	\$54.20

**Table 5B:**  
**CY 2019 NRS Payment Amounts for HHAs That DO Submit the Required Quality Data**

Severity Level	Points (Scoring)	Relative Weight	CY 2019 NRS Conversion Factor	CY 2019 NRS Payment Amounts
1	0	0.2698	\$54.20	\$14.62
2	1 to 14	0.9742	\$54.20	\$52.80
3	15 to 27	2.6712	\$54.20	\$144.78
4	28 to 48	3.9686	\$54.20	\$215.10
5	49 to 98	6.1198	\$54.20	\$331.69
6	99+	10.5254	\$54.20	\$570.48

**Table 6A:**  
**CY 2019 NRS Conversion Factor for HHAs That DO NOT Submit the Required Quality Data**

CY 2018 NRS Conversion Factor	CY 2019 HH Payment Update Percentage Minus 2 Percentage Points	CY 2019 NRS Conversion Factor
\$53.03	X 1.002	\$53.14

**Table 6B:**  
**CY 2019 NRS Payment Amounts for HHAs That DO NOT Submit the Required Quality Data**

Severity Level	Points (Scoring)	Relative Weight	CY 2019 NRS Conversion Factor	CY 2019 NRS Payment Amounts
1	0	0.2698	\$54.20	\$14.34
2	1 to 14	0.9742	\$54.20	\$51.77
3	15 to 27	2.6712	\$54.20	\$141.95
4	28 to 48	3.9686	\$54.20	\$210.89
5	49 to 98	6.1198	\$54.20	\$325.21
6	99+	10.5254	\$54.20	\$559.32

### **Rural Add-On Provision**

Section 421(b)(1) of the MMA, as amended by Section 50208 of the BBA of 2018, provides that rural counties would be placed into one of three categories for purposes of receiving HH rural add-on payments:

1. Rural counties and equivalent areas in the highest quartile of all counties or equivalent areas based on the number of Medicare home health episodes furnished per 100 individuals who are entitled to, or enrolled for, benefits under part A of Medicare or enrolled for benefits under part B of Medicare only, but not enrolled in a Medicare Advantage plan under part C of Medicare, as provided in Section 421(b)(1)(A) of the MMA (the "High utilization" category)
2. Rural counties and equivalent areas with a population density of 6 individuals or fewer per square mile of land area and are not included in the category provided in Section 421(b)(1)(A) of the MMA, as provided in Section 421(b)(1)(B) of the MMA (the Low population density" category)
3. Rural counties and equivalent areas not in the categories provided in either Sections 421(b)(1)(A) or 421(b)(1)(B) of the MMA, as provided in Section 421(b)(1)(C) of the MMA (the "All other" category)

CY 2019 HH PPS payments will be increased by:

- 1.5 percent when services are provided to beneficiaries who reside in rural counties and equivalent areas in the "High utilization" category
- 4.0 percent when services are provided to beneficiaries who reside in rural counties and equivalent areas in the "Low population density" category
- 3.0 percent when services are provided to beneficiaries who reside in rural counties and equivalent areas in the "All other" category.

Beginning in CY 2019, HHAs will be required to enter the Federal Information Processing Standards (FIPS) state and county code where the beneficiary resides on each claim. HHAs will continue to enter Core Based Statistical Area (CBSA) codes on the claims.

### **Outlier Payments**

The Fixed Dollar Loss (FDL) ratio and the loss-sharing ratio used to calculate outlier payments must be selected so that the estimated total outlier payments do not exceed the 2.5 percent aggregate level (as required by Section 1895(b)(5)(A) of the Act). Historically, CMS has used a value of 0.80 for the loss-sharing ratio which, it is believed, preserves incentives for agencies to attempt to provide care efficiently for outlier cases. With a loss-sharing ratio of 0.80, Medicare pays 80 percent of the additional estimated costs above the outlier threshold amount.

Given the statutory requirement that total outlier payments not exceed 2.5 percent of the total payments estimated to be made based under the HH PPS, CMS is revising the FDL ratio for CY 2019 from 0.55 to 0.51 to better approximate the 2.5 percent statutory maximum. It is not revising the loss-sharing ratio of 0.80.

In the CY 2017 HH PPS final rule (81 FR 76702), CMS finalized changes to the methodology used to calculate outlier payments, using a cost-per-unit approach rather than a cost-per-visit approach. This change in methodology allows for more accurate payment for outlier episodes,

accounting for both the number of visits during an episode of care and also the length of the visits provided. Using this approach, CMS now converts the national per-visit rates into per 15-minute unit rates. These per 15-minute unit rates are used to calculate the estimated cost of an episode to determine whether the claim will receive an outlier payment and the amount of payment for an episode of care. The cost-per-unit payment rates used for the calculation of outlier payments are in the following Tables:

**Table 7a: Cost-Per-Unit Payment Rates for the Calculation of Outlier Payments for HHAs that DO Submit the Required Quality Data**

HH Discipline	Average Minutes per Visit	CY 2019 Per-Visit Payment	Cost-per-unit (1 unit = 15 minutes)
Home Health Aide	63.0	\$66.34	\$15.80
Medical Social Services	56.5	\$234.82	\$62.34
Occupational Therapy	47.1	\$161.24	\$51.35
Physical Therapy	46.6	\$160.14	\$51.55
Skilled Nursing	44.8	\$146.50	\$49.05
Speech- Language Pathology	48.1	\$174.06	\$54.28

**Table 7b: Cost-Per-Unit Payment Rates for the Calculation of Outlier Payments for HHAs that DO NOT Submit the Required Quality Data**

HH Discipline	Average Minutes per Visit	CY 2019 Per-Visit Payment	Cost-per-unit (1 unit = 15 minutes)
Home Health Aide	63.0	\$65.04	\$15.49
Medical Social Services	56.5	\$230.23	\$61.12
Occupational Therapy	47.1	\$158.08	\$50.34
Physical Therapy	46.6	\$157.01	\$50.54
Skilled Nursing	44.8	\$143.63	\$48.09
Speech- Language Pathology	48.1	\$170.65	\$53.22

## ADDITIONAL INFORMATION

The official instruction, CR10992, issued to your MAC regarding this change is available at <https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/2018Downloads/R4148CP.pdf>. Part of the CR includes an updated version of the Medicare Claims Processing Manual, Chapter 10 (Home Health Agency Billing), Section 70.4 (Decision Logic Used by the Pricer on Claims).

If you have questions, your MACs may have more information. Find their website at <http://go.cms.gov/MAC-website-list>.

## DOCUMENT HISTORY

Date of Change	Description
November 16, 2018	Initial article released.

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