

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)
Transmittal 3383	Date: October 23, 2015
	Change Request 9406

NOTE: This Transmittal is no longer sensitive/controversial and is being re-communicated November 6, 2015. The Transmittal Number, date of Transmittal and all other information remain the same. This instruction may now be posted to the Internet.

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

I. SUMMARY OF CHANGES: This Change Request updates the 60-day national episode rates, the national per-visit amounts, LUPA add-on amounts, and the non-routine medical supply payment amounts under the HH PPS for CY 2016. The attached Recurring Update Notification applies to Pub. 100-04, Medicare Claims Processing Manual, chapter 10, section 70.5.

EFFECTIVE DATE: January 1, 2016

**Unless otherwise specified, the effective date is the date of service.*

IMPLEMENTATION DATE: January 4, 2016

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)

R=REVISED, N=NEW, D=DELETED

R/N/D	CHAPTER / SECTION / SUBSECTION / TITLE
N/A	N/A

III. FUNDING:

For Medicare Administrative Contractors (MACs):

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

IV. ATTACHMENTS:

Recurring Update Notification

Attachment - Recurring Update Notification

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I. GENERAL INFORMATION

A. Background: The Affordable Care Act of 2010 mandated several changes to Section 1895(b) of the Social Security Act and hence the HH PPS Update for CY 2016.

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

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

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.

B. Policy: 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 home health (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 rates. 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 (see attached). These payments are further adjusted by the individual episode's case-mix weight and by the wage index.

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.

Low-Utilization Payment Adjustment Add-On Payments

Low-utilization payment adjustment (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 an initial or only LUPA episode by multiplying the per-visit rate by a LUPA add-on factor specific to 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.

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. 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.

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.

Number	Requirement	Responsibility								
		A/B MAC			D M E M A C	Shared-System Maintainers				Other
		A	B	H H H		F I S S	M C S	V M S	C W F	
	contractor shall set an indicator of "3" in the "Federal PPS Blend Indicator" field of the provider file. NOTE: These HHs will have an indicator of "1" or "3" in this field for the preceding year.									

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility				
		A/B MAC			D M E M A C	C E D I
		A	B	H H H		
9406.3	MLN Article: A provider education article related to this instruction will be available at http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/ shortly after the CR is released. You will receive notification of the article release via the established "MLN Matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web sites and include information about it in a listserv message within 5 business days after receipt of the notification from CMS announcing the availability of the article. In addition, the provider education article shall be included in the contractor's next regularly scheduled bulletin. Contractors are free to supplement MLN Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.	X		X		

IV. SUPPORTING INFORMATION

Section A: Recommendations and supporting information associated with listed requirements:

"Should" denotes a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:
9406.2	CMS will provide the contractors with a list of providers who have not submitted the required quality data. The list will be distributed via a Technical Direction Letter (TDL).

Section B: All other recommendations and supporting information: N/A

V. CONTACTS

Pre-Implementation Contact(s): Wil Gehne, 410-786-6148 or wilfried.gehne@cms.hhs.gov, Sharon Ventura, 410-786-1985 or sharon.ventura@cms.hhs.gov

Post-Implementation Contact(s): Contact your Contracting Officer's Representative (COR).

VI. FUNDING

Section A: For Medicare Administrative Contractors (MACs):

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

ATTACHMENTS: 1

ATTACHMENT

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

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	CY 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	CY 2016 Rebasing Adjustment	CY 2016 HH Payment Update Percentage Minus 2 Percentage Points	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 0.9999	\$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

Table 5	
CY 2016 LUPA Add-On factors	
HH Discipline Type	
Skilled Nursing	1.8451
Physical Therapy	1.6700
Speech-Language Pathology	1.6266

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

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 minus 2 Percentage Points	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

Table 8					
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			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	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	\$2,906.92	X 1.03	\$2,994.13

Table 9						
CY 2016 Per-Visit Amounts for Services Provided in a Rural Area, Before Wage Index Adjustment						
Home Health Discipline Type	For HHAs that DO submit quality data			For HHAs that DO NOT submit quality data		
	CY 2016 Per-visit rate	Multiply by the 3 Percent Rural Add-On	CY 2016 Rural per-visit rate	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	\$59.68	X 1.03	\$61.47
MSS	\$215.47	X 1.03	\$221.93	\$211.24	X 1.03	\$217.58
OT	\$147.95	X 1.03	\$152.39	\$145.05	X 1.03	\$149.40
PT	\$146.95	X 1.03	\$151.36	\$144.07	X 1.03	\$148.39
SN	\$134.42	X 1.03	\$138.45	\$131.79	X 1.03	\$135.74
SLP	\$159.71	X 1.03	\$164.50	\$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 Factor	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

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