

<b>CMS Manual System</b>	<b>Department of Health &amp; Human Services (DHHS)</b>
<b>Pub 100-04 Medicare Claims Processing</b>	<b>Centers for Medicare &amp; Medicaid Services (CMS)</b>
<b>Transmittal 11802</b>	<b>Date: January 20, 2023</b>
	<b>Change Request 12957</b>

**Transmittal 11777 issued January 04, 2023, is being rescinded and replaced by Transmittal 11802, dated, January 20, 2023, to update the pre-implementation contact information. All other information remains the same.**

**SUBJECT: Home Health Prospective Payment System (HH PPS) Rate Update for Calendar Year (CY) 2023**

**I. SUMMARY OF CHANGES:** The purpose of this Change Request (CR) is to update the CY 2023 30-day period payment rates, the national per-visit amounts, and the cost-per-unit payment amounts used for calculating outlier payments under the HH PPS. The attached recurring update notification applies to Pub. 100-04, Medicare Claims Processing Manual, chapter 10, section 70.5.

**EFFECTIVE DATE: January 1, 2023**

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

**IMPLEMENTATION DATE: January 3, 2023**

*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-Only One Per Row.

<b>R/N/D</b>	<b>CHAPTER / SECTION / SUBSECTION / TITLE</b>
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

Pub. 100-04	Transmittal: 11802	Date: January 20, 2023	Change Request: 12957
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**IMPLEMENTATION DATE: January 3, 2023**

## I. GENERAL INFORMATION

**A. Background:** The Medicare Home Health Prospective Payment System (HH PPS) rates provided to Home Health Agencies (HHAs) for furnishing home health services are updated annually as required by section 1895(b)(3)(B) of the Social Security Act (the Act). The calendar year (CY) 2023 HH PPS rate update includes a change to the 30-day period payment rates, the national per-visit amounts, and the cost-per-unit payment amounts used for calculating outlier payments under the HH PPS. This rate update includes a change to the 30-day period payment rates, the national per-visit amounts, and the cost-per-unit payment amounts used for calculating outlier payments under the HH PPS.

**B. Policy:** Section 1895(b)(3)(B) of the Act requires that the standard prospective payment amounts for CY 2023 be increased by a factor equal to the applicable home health market basket update for those HHAs that submit quality data as required by the Secretary. Section 1895(b)(3)(B)(v) of the Act requires that the home health update be decreased by two (2) percentage points for those HHAs that do not submit quality data as required by the Secretary. Section 1886(b)(3)(B)(xi)(II) of the Act defines the productivity adjustment to be equal to the 10-year moving average of change in annual economy-wide private nonfarm business Multi-Factor Productivity (MFP) (as projected by the Secretary for the 10-year period ending with the applicable fiscal year, calendar year, cost reporting period, or other annual period) (the “MFP adjustment”). Sections 1895(b)(4)(A)(ii) and (b)(4)(C) of the Act require the Secretary to provide appropriate adjustments to the proportion of the payment amount under the HH PPS that account for area wage differences, using adjustment factors that reflect the relative level of wages and wage-related costs applicable to the furnishing of HH services.

Section 1895(b)(3)(D)(i) of the Act requires the Secretary to annually determine the impact of differences between assumed behavior changes, as described in section 1895(b)(3)(A)(iv) of the Act, and actual behavior changes on estimated aggregate expenditures under the HH PPS with respect to years beginning with 2020 and ending with 2026. Section 1895(b)(3)(D)(ii) of the Act requires the Secretary, at a time and in a manner determined appropriate, through notice and comment rulemaking, to provide for one or more permanent increases or decreases to the standard prospective payment amount (or amounts) for applicable years, on a prospective basis, to offset for such increases or decreases in estimated aggregate expenditures, as determined under section 1895(b)(3)(D)(i) of the Act.

### Market Basket Update

Based on IHS Global Insight Inc.’s third-quarter 2022 forecast (with historical data through fourth quarter 2021), the home health market basket percentage increase for CY 2023 is, specified at section 1895(b)(3)(B)(iii) of the Act, 4.1 percent. The CY 2023 home health market basket percentage increase of 4.1 percent is then reduced by a productivity adjustment, as mandated by the section 3401 of the Patient Protection and Affordable Care Act (the Affordable Care Act) (Pub. L. 111-148), currently estimated to be 0.1 percentage point for CY 2023. In effect, the home health payment update percentage for CY 2023 is a

4.0 percent increase. Section 1895(b)(3)(B)(v) of the Act requires that the home health update be decreased by 2 percentage points for those HHAs that do not submit quality data as required by the Secretary. For HHAs that do not submit the required quality data for CY 2022, the home health payment update is 2.0 percent (4.0 percent minus 2 percentage points).

### National, Standardized 30-Day Period Payment

As described in the CY 2023 HH PPS final rule, we are required to implement a permanent payment adjustment to the national 30-day payment rate based on the impact of differences between assumed versus actual behavior change, in accordance with Sections 1895(b)(3)(D)(ii) and (iii) to offset for such increases or decreases in estimated aggregate expenditures. We are implementing a permanent behavior adjustment of -3.925 percent to prevent further overpayments. The permanent behavior adjustment factor is 0.96075 (1-0.03925). In order to calculate the CY 2023 national, standardized 30-day period payment rate, CMS applies a permanent behavioral adjustment factor of 0.96075, a case-mix weights recalibration budget neutrality factor of 0.9904, a wage index budget neutrality factor of 1.0001 and the CY 2023 home health payment update percentage of 4.0 percent increase.

The 30-day payment rates are shown in Tables 1 and 2. The CY 2023 national, standardized 30-day period payment rates are further adjusted by the individual period's case-mix weight and by the applicable wage index.

### National Per-Visit Rates

To calculate the CY 2023 national per-visit rates, CMS started with the CY 2022 national per-visit rate. CMS applies a wage index budget neutrality factor of 1.0007 to ensure budget neutrality for Low-Utilization Payment Adjustment (LUPA) per-visit payments after applying the CY 2023 wage index. The per-visit rates are then updated by the CY 2023 HH payment update of 4.0 percent for HHAs that submit the required quality data and by 2.0 percent (4.0 percent minus 2 percentage points) for HHAs that do not submit quality data. The per-visit rates are shown in Tables 3 and 4.

### Non-Routine Supply Payments

Payment for Non-Routine Supplies (NRS) is part of the national, standardized 30-day period rate. Durable medical equipment provided as a home health service as defined in section 1861(m) of the Act is paid the fee schedule amount and is not included in the national, standardized 30-day period payment amount.

### 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 CMS believes, 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. The CY 2023 fixed-dollar loss ratio is 0.35 to ensure the total outlier payments do not exceed 2.5 percent of the total payments estimated to be made under the HH PPS.

In the CY 2019 HH PPS final rule with comment period (83 FR 56521), CMS finalized a policy to maintain the current methodology for payment of high-cost outliers upon implementation of the PDGM beginning in CY 2020 and that CMS will calculate payment for high cost outliers based upon 30-day periods of care. The per-visit rates are shown in Table 5.

### Home Health PPS Wage Index

The CY 2023 HH PPS final rule finalizes the application of a permanent 5-percent cap on any decrease to a geographic area's wage index from its wage index in the prior year, regardless of the circumstances causing

the decline beginning in CY 2023. That is, we finalized that a geographic area’s wage index for CY 2023 and subsequent years, would not be less than 95 percent of its wage index calculated in the prior CY.

Rural Add-On

Section 4137 of the Consolidated Appropriations Act of 2023 extends the rural add-on policy by providing an increase of 1 percent of the payment amount made for home health services provided in the “Low population density” category for CY 2023. CMS is not updating the CY 2023 impact file as there is no change in the rural add-on value between CY 2022 and CY 2023 and the overall impact for CY 2023 has not changed.

**II. BUSINESS REQUIREMENTS TABLE**

*"Shall" denotes a mandatory requirement, and "should" denotes an optional requirement.*

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	
12957.1	Contractors shall update the PRMODERN PARM’s HH PPS Pricer date range to 2015 – 2023 to call the CY 2023 HH PPS Pricer to pay HH claims with claim “Through” dates on or after January 1, 2023.			X					HH Pricer	
12957.2	The contractor shall apply the CY 2023 HH PPS payment rates for periods with claim statement "Through" dates on or after January 1, 2023.								HH Pricer	
12957.3	The contractor shall use the table of wage index values associated with CBSA codes for CY 2023 home health payment calculations.								HH Pricer	
12957.4	The contractor shall instruct providers to submit the CBSA code corresponding to the state and county of the beneficiary's place of residence in value code 61 on home health claims.			X						

**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		
12957.5	Medicare Learning Network® (MLN): CMS will market provider education content through the MLN Connects® newsletter shortly after CMS releases the			X		

Number	Requirement	Responsibility				
		A/B MAC			D M E	C E D I
		A	B	H H H	M A C	
	CR. MACs shall follow IOM Pub. No. 100-09 Chapter 6, Section 50.2.4.1 instructions for distributing the MLN Connects newsletter information to providers and link to relevant information on your website. You may supplement MLN content with your local information after we release the MLN Connects newsletter. Subscribe to the “MLN Connects” listserv to get MLN content notifications. You don’t need to separately track and report MLN content releases when you distribute MLN Connects newsletter content per the manual section referenced above.					

**IV. SUPPORTING INFORMATION**

**Section A: Recommendations and supporting information associated with listed requirements: N/A**

*"Should" denotes a recommendation.*

X-Ref Requirement Number	Recommendations or other supporting information:

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

**V. CONTACTS**

**Pre-Implementation Contact(s):** Amanda Barnes, 410-786-2310 or amanda.barnes@cms.hhs.gov

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

**VI. FUNDING**

**Section A: For Medicare Administrative Contractors (MACs):**

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**ATTACHMENTS: 1**

**TABLE 1: CY 2023 NATIONAL, STANDARDIZED 30-DAY PERIOD PAYMENT AMOUNT**

<b>CY 2022 National Standardized 30-Day Period Payment</b>	<b>Permanent BA Adjustment Factor</b>	<b>Case-Mix Weights Recalibration Neutrality Factor</b>	<b>Wage Index Budget Neutrality Factor</b>	<b>CY 2023 HH Payment Update</b>	<b>CY 2023 National, Standardized 30-Day Period Payment</b>
\$2,031.64	0.96075	0.9904	1.0001	1.040	\$2,010.69

**TABLE 2: CY 2023 NATIONAL, STANDARDIZED 30-DAY PERIOD PAYMENT AMOUNT FOR HHAS THAT DO NOT SUBMIT THE QUALITY DATA**

<b>CY 2022 National Standardized 30-Day Period Payment</b>	<b>Permanent BA Adjustment Factor</b>	<b>Case-Mix Weights Recalibration Neutrality Factor</b>	<b>Wage Index Budget Neutrality Factor</b>	<b>CY 2023 HH Payment Update Minus 2 Percentage Points</b>	<b>CY 2023 National, Standardized 30-Day Period Payment</b>
\$2,031.64	0.96075	0.9904	1.0001	1.020	\$1,972.02

**TABLE 3: CY 2023 NATIONAL PER-VISIT PAYMENT AMOUNTS**

<b>HH Discipline</b>	<b>CY 2022 Per-Visit Payment Amount</b>	<b>CY 2023 Wage Index Budget Neutrality Factor</b>	<b>CY 2023 HH Payment Update</b>	<b>CY 2023 Per-Visit Payment Amount</b>
Home Health Aide	\$71.04	1.0007	1.040	\$73.93
Medical Social Services	\$251.48	1.0007	1.040	\$261.72
Occupational Therapy	\$172.67	1.0007	1.040	\$179.70
Physical Therapy	\$171.49	1.0007	1.040	\$178.47
Skilled Nursing	\$156.90	1.0007	1.040	\$163.29
Speech-Language Pathology	\$186.41	1.0007	1.040	\$194.00

**TABLE 4: CY 2023 NATIONAL PER-VISIT PAYMENT AMOUNTS FOR HHAS THAT DO NOT SUBMIT THE REQUIRED QUALITY DATA**

<b>HH Discipline</b>	<b>CY 2022 Per-Visit Payment Amount</b>	<b>CY 2023 Wage Index Budget Neutrality Factor</b>	<b>CY 2023 HH Payment Update Minus 2 Percentage Points</b>	<b>CY 2023 National, Standardized 30-Day Period Payment</b>
Home Health Aide	\$71.04	1.0007	1.020	\$72.51
Medical Social Services	\$251.48	1.0007	1.020	\$256.69
Occupational Therapy	\$172.67	1.0007	1.020	\$176.25
Physical Therapy	\$171.49	1.0007	1.020	\$175.04

Skilled Nursing	\$156.90	1.0007	1.020	\$160.15
Speech-Language Pathology	\$186.41	1.0007	1.020	\$190.27

**TABLE 5: CY 2023 COST-PER-UNIT PAYMENT RATES FOR THE CALCULATION OF OUTLIER PAYMENTS**

HH Discipline	Average Minutes Per-Visit	For HHAs that DO Submit the Required Quality Data		For HHAs that DO NOT Submit the Required Quality Data	
		CY 2023 Per-Visit Payment	Cost-per-unit (1 unit= 15 minutes)	CY 2023 Per-Visit Payment	Cost-per-unit (1 unit= 15 minutes)
Home Health Aide	63.0	\$73.93	\$17.60	\$72.51	\$17.26
Medical Social Services	56.5	\$261.72	\$69.48	\$256.69	\$68.15
Occupational Therapy	47.1	\$179.70	\$57.23	\$176.25	\$56.13
Physical Therapy	46.6	\$178.47	\$57.45	\$175.04	\$56.34
Skilled Nursing	44.8	\$163.29	\$54.67	\$160.15	\$53.62
Speech- Language Pathology	48.1	\$194.00	\$60.50	\$190.27	\$59.34