

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)
Transmittal 1094	Date: OCTOBER 27, 2006
	Change Request 5254

NOTE: Transmittal 1023, dated August 4, 2006, is rescinded and replaced herewith. The fiscal intermediaries (FIs) and A/B MACs are added as responsible parties for Business Requirements 5254.5 and 5254.6. All other requirements remain the same.

Subject: Update To The Hospice Payment Rates, Hospice Cap, Hospice Wage Index and the Hospice Pricer For FY 2007

I. SUMMARY OF CHANGES: This transmittal provides the annual update to the hospice payment calculations for FY 2007, describes billing instructions for hospices regarding reporting wage index information and revises the hospice Pricer software to reflect the annual update.

New/Revised Material

Effective Date: October 1, 2006

Implementation Date: October 2, 2006

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.*

R/N/D	Chapter / Section / Subsection / Title
N/A	

III. FUNDING:

No additional funding will be provided by CMS; Contractor activities are to be carried out within their FY 2006 operating budgets.

IV. ATTACHMENTS:

Recurring Update Notification

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

Attachment – Recurring Update Notification

Pub. 100-04	Transmittal: 1094	Date: October 27, 2006	Change Request 5254
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SUBJECT: Update to the Hospice Payment Rates, Hospice Cap, Hospice Wage Index and the Hospice Pricer for FY 2007

I. GENERAL INFORMATION

A. Background: Payment for hospice care, the hospice cap amount, and the hospice wage index are updated annually. The law governing the payment for hospice care requires annual updates to the hospice payment rates. Section 1814(i)(1)(C)(ii) of the Social Security Act (the Act) stipulates that the payments for hospice care for fiscal years after 2002 will increase by the market basket percentage increase for the fiscal year (FY). This payment methodology has been codified in regulations found at 42 CFR §418.306(a)(b).

The **Hospice Cap** is updated annually in accordance with §1814(i)(2)(B) of the Act and provides for an increase (or decrease) in the hospice cap amount. Specifically, the cap amount is increased or decreased, for accounting years after 1984, by the same percentage as the percentage increase or decrease, respectively, in the medical care expenditure category of the Consumer Price Index for all Urban Consumers.

The **Hospice Wage Index** is used to adjust payment rates to reflect local differences in wages according to the revised wage index. The Hospice Wage Index is updated annually in accordance with recommendations made by a negotiated rulemaking advisory committee as published in the **Federal Register** on August 8, 1997. 42 CFR §418.306(C) requires that the updated hospice wage index be published annually as a notice in the **Federal Register**.

B. Policy: The annual hospice payment updates will be implemented through the Hospice Pricer software found in the intermediary standard systems. The new Pricer module will not contain any new calculation logic, but will simply apply the existing calculations to the updated payment rates shown below. An updated table will be installed in the module, to reflect the FY 2007 hospice wage index.

FY 2007 Hospice payment Rates

The FY 2007 payment rates will be the FY 2006 payment rates, increased by 3.4 percentage points, which is the total market basket percentage increase forecasted for FY 2007. The FY 2007 hospice payment rates are effective for care and services furnished on or after October 1, 2006, through September 30, 2007.

Reference to the hospice payment rate is discussed further in the Pub.100-04, Medicare Claims Processing Manual, Chapter 11, Processing Hospice Claims, Section 30.2.

Code	Description	Rate	Wage Component Subject to Index	Non-Weighted Amount
651	Routine Home Care	130.79	89.87	40.92
652	Continuous Home Care Full Rate = 24 hours of care \$31.81 hourly rate	763.36	524.50	238.86
655	Inpatient Respite Care	135.30	73.24	62.06
656	General Inpatient Care	581.82	372.42	209.40

Hospice Cap

The latest hospice cap amount for the cap year ending October 31, 2006, is \$20,585.39. Reference to the hospice cap is discussed further in the Pub.100-04, Medicare Claims Processing Manual, Chapter 11, Processing Hospice Claims, section 80.2.

Hospice Wage Index

The Hospice Wage Index notice will be effective October 1, 2006, and published in the **Federal Register** before that date. The revised wage index and payment rates will be incorporated in the hospice Pricer and forwarded to the intermediaries following publication of the notice.

As discussed in the FY 2006 Hospice Wage Index Final Rule, for FY 2006 only, a blended wage index value, comprised of 50 percent of the wage index had the Metropolitan statistical Area (MSA) designations remained in effect and 50 percent of the wage index under the Core Based Statistical Area (CBSA) designations was used. Thus the special codes employed in FY 2006 are not in effect for FY 2007.

II. BUSINESS REQUIREMENTS

"Shall" denotes a mandatory requirement

"Should" denotes an optional requirement

Requirement Number	Requirements	Responsibility ("X" indicates the columns that apply)								
		F I	R H I	C a r r i e r	D M E R C	Shared System Maintainers				Other
						F I S S	M C S	V M S	C W F	
5254.1	RHHIs should encourage hospice providers to split claims if dates of service span separate fiscal years, e.g., September/October billing.		X							
5254.1.1	RHHIs shall alert hospices that the RHHI will use FY 2006 rates if the hospice chooses not to split the claim and that the RHHI will perform no subsequent adjustments to these claims.		X							
5254.2	Medicare systems shall apply the FY 2007 rates for claims with dates on or after October 1, 2006 through September 30, 2007.									Pricer
5254.3	Medicare systems shall use Core Based Statistical Area (CBSA) codes for purposes of wage index adjustment of hospice claims.		X			X				Pricer
5254.3.1	Medicare systems shall use a table of wage index values associated with CBSA codes for FY 2007 hospice payment calculations.									Pricer
5254.3.2	Medicare contractors shall update the hospice facility CBSA field on the provider specific file to indicate the CBSA code that corresponds to the state and county of the hospice's location if the value in that field had been a hospice special wage index code in FY 2006.		X							
5254.4	Medicare contractors shall instruct providers to submit the CBSA code corresponding to the state and county of the beneficiary's home in value code 61 on claims that include routine home care or continuous home care.		X							

Requirement Number	Requirements	Responsibility (“X” indicates the columns that apply)							
		F I	R H I	C a r r i e r	D M E R C	Shared System Maintainers			
F I S S	M C S					V M S	C W F		
	Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.								

IV. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

A. Other Instructions: N/A

X-Ref Requirement #	Instructions

B. Design Considerations: N/A

X-Ref Requirement #	Recommendation for Medicare System Requirements

C. Interfaces: N/A

D. Contractor Financial Reporting /Workload Impact: N/A

E. Dependencies: N/A

F. Testing Considerations: N/A

V. SCHEDULE, CONTACTS, AND FUNDING

<p>Effective Date*: October 1, 2006</p> <p>Implementation Date: October 2, 2006</p> <p>Pre-Implementation Contact(s): Policy: Terri Deutsch e-mail address: Terri.Deutsch@cms.hhs.gov. Claims Processing: Wil Gehne e-mail address: Wilfried.Gehne@cms.hhs.gov</p> <p>Post-Implementation Contact(s): Appropriate Regional Office</p>	<p>No additional funding will be provided by CMS; contractor activities are to be carried out within their FY 2006 operating budgets.</p>
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