CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)
Transmittal 1864	**Date: December 4, 2009**
	Change Request 6747

SUBJECT: Home Health Prospective Payment System (HH PPS) Rate Update for Calendar Year 2010

I. SUMMARY OF CHANGES: This CR updates the 60 day national episode rates and the national per-visit amounts under the HH PPS for CY 2010. The attached Recurring Update Notification applies to chapter 10, section 10.1.6.

New / Revised Material
Effective Date: January 1, 2010
Implementation Date: January 4, 2010

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	

III. FUNDING:
SECTION A: For Fiscal Intermediaries and Carriers:
No additional funding will be provided by CMS; contractor activities are to be carried out within their operating budgets.

SECTION B: 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

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

Attachment – Recurring Update Notification

Pub. 100-04	Transmittal: 1864	Date: December 4, 2009	Change Request: 6747

SUBJECT: Home Health Prospective Payment System (HH PPS) Update for Calendar Year (CY) 2010

Effective Date: **January 1, 2010**

Implementation Date: January 4, 2010

I. GENERAL INFORMATION

A. Background: Section 1895 (b)(3)(B)(v) of the Social Security Act provides that Medicare home health payments be updated by the applicable market basket percentage increase for CY 2010. The home health market basket percentage increase for CY 2010 is 2.0 percent. Section 1895 (b)(3)(B)(v) of the Act also requires that home health agencies (HHAs) report such quality data as determined by the Secretary. HHAs that do not report the required quality data will receive a 2 percent reduction to the home health market basket percentage increase of 0 percent for CY 2010.

B. Policy: Section 1895 (b)(3)(B)(v) of the Act requires that HHAs report quality data or be subject to a 2 percent reduction to the home health market basket percentage increase applicable to HH PPS payments for CY 2010. The home health market basket update for CY 2010 is 2.0 percent. CMS is also lowering the fixed dollar loss ratio used to calculate outlier payments to 0.67 for CY 2010. The loss-sharing ratio of 0.80 remains unchanged.

The following five tables show the rates for HHAs that **DO** report the required quality data:

In order to establish new payments for CY 2010, CMS starts with the CY 2009 national standardized 60-day episode payment and adjusts it to return the outlier funds that paid for the original 5% target for outlier payments. That figure is adjusted to account for the 2.5% outlier policy. Then it is increased by the home health market basket update for CY 2010 (2.0 percent). This figure is reduced by the 2.75 percent case-mix adjustment. Refer to Table 1 for the calculations which yield the CY 2010 updated national standardized 60-day episode payment rate. These payments will be further adjusted by the individual episode's case-mix weight and wage index.

Table 1

National 60-Day Episode Amounts Updated by the Home Health Market Basket Update for CY 2010, Before Case-Mix Adjustment, Wage Index Adjustment Based on the Site of Service for the Beneficiary

Total CY 2009 National Standardized 60-Day Episode Payment Rate	Adjusted to return the outlier funds that paid for the original 5% target for outlier payments	Adjusted to account for the 2.5% outlier policy	Multiply by the Home Health Market Basket Update (2.0%)	Reduce by 2.75 Percent for Nominal Change in Case-Mix	CY 2010 National Standardized 60-Day Episode Payment Rate
$2,271.92	/ 0.95	X 0.975	X 1.020	X 0.9725	$2,312.94

The national standardized per-visit amounts are used to calculate low utilization payment adjustments (LUPAs) and outlier payments. The national per-visit amounts are as follows:

Table 2

National Per-Visit Amounts for LUPAs (Not including the Increase in Payment for a Beneficiary's Only Episode or the Initial Episode in a Sequence of Adjacent Episodes) and Outlier Calculations Updated by the Home Health Market Basket Update for CY 2010, Before Wage Index Adjustment Based on the Site of Service for the Beneficiary

Home Health Discipline	CY 2009 Per-Visit Rate	Adjusted to return the outlier funds that paid for the original 5% target for outlier payments	Adjusted to account for the 2.5% outlier policy	Multiply by the CY 2010 Home Health Market Basket (2.0%)	CY 2010 Per-Visit Rate
Home Health Aide	$48.89	/ 0.95	X 0.975	X 1.02	$51.18
Medical Social Services	$173.05	/ 0.95	X 0.975	X 1.02	$181.16
Occupational Therapy	$118.83	/ 0.95	X 0.975	X 1.02	$124.40
Physical Therapy	$118.04	/ 0.95	X 0.975	X 1.02	$123.57
Skilled Nursing	$107.95	/ 0.95	X 0.975	X 1.02	$113.01
Speech-Language Pathology	$128.26	/ 0.95	X 0.975	X 1.02	$134.27

LUPA episodes that occur as initial episodes in a sequence of adjacent episodes or as the only episode receive an additional payment. The per-visit rates noted above are before that additional payment is added to the LUPA amount. The CY 2010 LUPA add-on payment is updated in Table 3.

Table 3

CY 2010 LUPA Add-On Payment Amounts

CY 2009 LUPA Add-On Payment	Adjusted to return the outlier funds that paid for the original 5% target for outlier payments	Adjusted to account for the 2.5% outlier policy	Multiply by the Home Health Market Basket Update (2.0%)	CY 2010 LUPA Add-On payment
$90.48	/ 0.95	X 0.975	X 1.02	$94.72

Payments for non-routine supplies (NRS) are computed by multiplying the relative weight for a particular severity level by the NRS conversion factor. The NRS conversion factor for CY 2010 payments is updated in Table 4a.

Table 4a					
CY 2010 NRS Conversion Factor					
CY 2009 NRS Conversion Factor	Adjusted to return the outlier funds that paid for the original 5% target for outlier payments	Adjusted to account for the 2.5% outlier policy	Multiply by the Home Health Market Basket Update (2.0%)	Reduce by 2.75 Percent for Nominal Change in Case-Mix	CY 2010 NRS Conversion Factor
52.39	/ 0.95	X 0.975	X 1.02	X 0.9725	$53.34

The payment amounts for the various severity levels based on the updated conversion factor are shown in Table 4b.

Table 4b			
Relative Weights for the 6-Severity NRS System			
Severity Level	Points (Scoring)	Relative Weight	NRS Payment Amount
1	0	0.2698	$14.39
2	1 to 14	0.9742	$51.96
3	15 to 27	2.6712	$142.48
4	28 to 48	3.9686	$211.69
5	49 to 98	6.1198	$326.43
6	99+	10.5254	$561.42

The following five tables show the rates for HHAs that **DO NOT** report the required quality data:

Section 1895 (b)(3)(B)(v) of the Act requires that if quality data is not submitted by an HHA, then the home health market basket percentage increase applicable to that provider's payments will be reduced by 2 percent. Therefore, the increase that is applied to CY 2010 payments to HHAs that do not report the required quality data is 0 percent (CY 2010 market basket update of 2.0 percent minus 2 percent). The CY 2010 National Standardized 60-Day Episode Payment Rate for HHAs who do not submit the required quality data is shown in Table 5 below.

Table 5

For HHAs that Do Not Submit the Required Quality Data -- National 60-Day Episode Amounts Updated by the Home Health Market Basket Update for CY 2010 Minus 2 Percent, Before Case-Mix Adjustment, Wage Index Adjustment Based on the Site of Service for the Beneficiary

Total CY 2009 National Standardized 60-Day Episode Payment Rate	Adjusted to return the outlier funds that paid for the original 5% target for outlier payments	Adjusted to account for the 2.5% outlier policy	Multiply by the Home Health Market Basket Update (2.0 %) minus 2% for a 0% update	Reduce by 2.75% for Nominal Change in Case-Mix	CY 2010 National Standardized 60-Day Episode Payment Rate for HHAs that Do Not submit required quality data
$2,271.92	/ 0.95	X 0.975	X 1.00	X 0.9725	$2,267.59

The national standardized per-visit amounts are used to calculate low utilization payment adjustments (LUPAs) and outlier payments. The national per-visit amounts for HHAs that do not submit the required quality data are as follows:

Table 6

For HHAs that Do Not Submit the Required Quality Data -- National Per-Visit Amounts for LUPAs (Not including the Increase in Payment for a Beneficiary's Only Episode or the Initial Episode in a Sequence of Adjacent Episodes) and Outlier Calculations Updated by the Home Health Market Basket Update for CY 2010 Minus 2 Percent, Before Wage Index Adjustment Based on the Site of Service for the Beneficiary

Home Health Discipline	CY 2009 Per-Visit Rate	Adjusted to return the outlier funds that paid for the original 5% target for outlier payments	Adjusted to account for the 2.5% outlier policy	Multiply by the CY 2010 Home Health Market Basket (2.0%) minus 2% for a 0% update	CY 2010 Per-Visit Rate for HHAs that Do Not submit required quality data
Home Health Aide	$48.89	/ 0.95	X 0.975	X 1.00	$50.18
Medical Social Services	$173.05	/ 0.95	X 0.975	X 1.00	$177.60
Occupational Therapy	$118.83	/ 0.95	X 0.975	X 1.00	$121.96

Physical Therapy	$118.04	/ 0.95	X 0.975	X 1.00	$121.15
Skilled Nursing	$107.95	/ 0.95	X 0.975	X 1.00	$110.79
Speech-Language Pathology	$128.26	/ 0.95	X 0.975	X 1.00	$131.64

LUPA episodes that occur as initial episodes in a sequence of adjacent episodes or as the only episode receive an additional payment. The per-visit rates noted above are before that additional payment is added to the LUPA amount. This additional LUPA add-on amount for HHAs that do not submit the required quality data is updated in Table 7.

Table 7

For HHAs that Do Not Submit the Required Quality Data -- CY 2010 LUPA Add-On Payment Amounts

CY 2009 LUPA Add-On Payment	Adjusted to return the outlier funds that paid for the original 5% target for outlier payments	Adjusted to account for the 2.5% outlier policy	Multiply by the CY 2010 Home Health Market Basket (2.0%) minus 2% for a 0% update	CY 2010 LUPA Add-On payment for HHAs that Do Not submit required quality data
$90.48	/ 0.95	X 0.975	X 1.00	$92.86

Payments for non-routine supplies (NRS) are computed by multiplying the relative weight for a particular severity level by the NRS conversion factor. For CY 2010 payments to HHAs that do not submit the required quality data, the NRS conversion factor is shown in Table 8a.

Table 8a

For HHAs that Do Not Submit the Required Quality Data -- CY 2010 NRS Conversion Factor

CY 2009 NRS Conversion Factor	Adjusted to return the outlier funds that paid for the original 5% target for outlier payments	Adjusted to account for the 2.5% outlier policy	Multiply by the CY 2010 Home Health Market Basket (2.0%) minus 2% for a 0% update	Reduce by 2.75 Percent for Nominal Change in Case-Mix	CY 2010 NRS Conversion Factor for HHAs that Do Not submit required quality data
52.39	/ 0.95	X 0.975	X 1.00	X 0.9725	$52.29

The payment amounts for the various severity levels based on the updated conversion factor are calculated in Table 8b.

Table 8b

For HHAs that Do Not Submit the Required Quality Data -- Relative Weights for the 6-Severity NRS System

Severity Level	Points (Scoring)	Relative Weight	NRS Payment Amount for HHAs that Do Not submit required quality data
1	0	0.2698	$14.11
2	1 to 14	0.9742	$50.94
3	15 to 27	2.6712	$139.68
4	28 to 48	3.9686	$207.52

5	49 to 98	6.1198	$320.00
6	99+	10.5254	$550.37

These changes are to be implemented through the Home Health Pricer software found in the intermediary standard systems.

II. BUSINESS REQUIREMENTS TABLE

Use "Shall" to denote a mandatory requirement

Number	Requirement	Responsibility (place an "X" in each applicable column)										
		A/B MAC	DME MAC	FI	CARRIER	DMERC	RHHI	Shared-System Maintainers				OTHER
								FISS	MCS	VMS	CWF	
6747.1	Medicare systems shall install a new HH PPS Pricer software module effective January 1, 2010.											HH Pricer
6747.2	Medicare systems shall apply the CY 2010 HH PPS payment rates for episodes with claim statement "Through" dates on or after January 1, 2010 and on or before December 31, 2010.											HH Pricer
6747.3	Medicare systems shall apply a fixed dollar loss amount of 67% of the standard episode payment when calculating outlier payments.											HH Pricer
6747.4	Medicare contractors shall update HHA provider files to reflect whether the HHA has submitted the required quality data.						X					
6747.4.1	If an HHA is identified as having submitted claims but not submitted quality data, Medicare contractors shall set an indicator of "2" in the "Federal PPS Blend Indicator" field of the provider file.						X					
6747.4.2	If an HHA is identified as having submitted claims but not submitted quality data and also is not eligible to receive RAP payments, Medicare contractors shall set an indicator of "3" in the "Federal PPS Blend Indicator" field of the provider file. **NOTE**: These HHAs will have an indicator of "1" or "3" in this field for the preceding year.						X					

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility (place an "X" in each applicable column)										
		A/B MAC	DME MAC	FI	CARRIER	DME RC	RHHI	Shared-System Maintainers				OTHER
								FISS	MCS	VMS	CWF	
6747.5	A provider education article related to this instruction will be available at http://www.cms.hhs.gov/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 site and include information about it in a listserv message within 1 week of the availability of the provider education article. In addition, the provider education article shall be included in your 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			X					

IV. SUPPORTING INFORMATION

A. For any recommendations and supporting information associated with listed requirements, use the box below:
Use "Should" to denote a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:

B. For all other recommendations and supporting information, use the space below:

V. CONTACTS

Pre-Implementation Contact(s): Sharon Ventura (policy) at 410-786-1985

Post-Implementation Contact(s): Appropriate Regional Office

VI. FUNDING

A. ***For Fiscal Intermediaries (FIs), Regional Home Health Intermediaries (RHHIs), and/or Carriers*****:**

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

B. ***For Medicare Administrative Contractors (MAC)*****, use only one of the following statements:**

The contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the Statement of Work (SOW). The contractor is not obligated to incur costs in excess of the amounts specified 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.