

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)
Transmittal 2820	Date: November 22, 2013
	Change Request 8515

NOTE: This Transmittal is no longer sensitive and is being re-communicated December 5, 2013. 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) 2014

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 2014. The attached Recurring Update Notification applies to Pub. 100-04, Medicare Claims Processing Manual, chapter 10, section 10.1.6.

EFFECTIVE DATE: January 1, 2014

IMPLEMENTATION DATE: January 6, 2014

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 Fiscal Intermediaries (FIs), Regional Home Health Intermediaries (RHHIs) and/or Carriers:

Not Applicable.

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 obliged 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: 2820	Date: November 22, 2013	Change Request: 8515
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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 2014.

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. In addition, 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 3131(c) of the Affordable Care Act amended section 421(a) of the Medicare Modernization Act (MMA), which was amended by section 5201(b) of the DRA. The amended section 421(a) of the MMA 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, 2016. 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 home health (HH) market basket update for CY 2014 is 2.3 percent. HHAs that do not report the required quality data will receive a 2 percent reduction to the HH market basket update of 2.3 percent (0.3 percent) for CY 2014.

National, Standardized 60-Day Episode Payment

As described in the CY 2014 final rule, to determine the CY 2014 national, standardized 60-day episode payment rate, CMS starts with the CY 2013 estimated average payment per episode (\$2,952.03). CMS removes the 2.5 percent for outlier payments that was put back in the rates and applies a standardization factor of 1.0026 to ensure budget neutrality in episode payments using the 2014 wage index. 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). Lastly, the national, standardized 60-day episode payment rate is updated by the CY 2014 HH market basket update of 2.3 percent for HHAs that do submit the required quality data and by 0.3 percent for HHAs that do not submit quality data. The updated CY 2014 national standardized 60-day episode payment rate for HHAs that do submit the required quality data is shown in Table 1 (see attachment) and for HHAs that do **not** submit the required quality data are shown in Table 4. These payments are further adjusted by the individual episode's case-mix weight and wage index.

National Per-Visit Rates

To calculate the CY 2014 national per-visit payment rates, CMS starts with the CY 2013 national per-visit rates. CMS applies a wage index budget neutrality factor of 1.0006 to ensure budget neutrality for LUPA per-visit payments after applying the CY 2014 wage index, and then applies the maximum rebasing adjustments to the 2013 outlier adjusted per-visit rates. The per-visit rates for each discipline are then updated by the CY 2014 HH market basket update of 2.3 percent for HHAs that do submit the required quality data and by 0.3 percent for HHAs that do not submit quality data. The CY 2014 national per-visit rates per discipline for HHAs that do submit the required quality data are shown in Table 3 and for HHAs that do **not** submit the required quality data are shown in Table 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 will calculate the payment for the first visit in a LUPA episode by multiplying the per-visit rate by a LUPA add-on factor specific to the type of visit (skilled nursing, physical therapy, or speech-language pathology). The specific requirements for the new LUPA add-on calculation are described in CR 8380. The CY 2014 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 the NRS conversion factor. To determine the CY 2014 NRS conversion factor, CMS starts with the CY 2013 NRS conversion factor (\$53.97) and applies a 2.82 percent rebasing adjustment calculated in the CY 2014 final rule ($1 - 0.0282 = 0.9718$). CMS then updates the conversion factor by the HH market basket update of 2.3 percent for HHAs that do submit the required quality data and by 0.3 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 claim payment amount is computed. The NRS conversion factor for CY 2014 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 2014 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.

As stipulated in section 3131(c) of the Affordable Care Act, 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, 2016. Refer to Tables 8 through 10b for the CY 2014

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility							
		A/B MAC			D M E M A C	F I	C A R R I E R	R H H I	Other
		A	B	H H H					
8515.3	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 one week of the availability of the provider education 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: N/A

"Should" denotes a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:
	N/A

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 (Claims Processing), Sharon Ventura, 410-786-1985 or sharon.ventura@cms.hhs.gov (Policy)

Post-Implementation Contact(s): Contact your Contracting Officer's Representative (COR) or Contractor Manager, as applicable.

VI. FUNDING

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

Not Applicable.

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 do 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.

Attachment

ATTACHMENT

Table 1

For HHAs that **DO** Submit Quality Data -- National 60-Day Episode Amounts Updated by the Home Health Market Basket Update for CY 2014
Before Case-Mix Adjustment, Wage Index Adjustment Based on the Site of Service for the Beneficiary

2013 Estimated Average Payment per Episode	Outlier Adjustment Factor	Standardization Factor	2014 Rebasing Adjustment	CY 2014 HH Market Basket Update	CY 2014 National, Standardized 60-Day Episode Payment
\$2,952.03	X 0.975	X 1.0026	-\$80.95	X 1.023	=\$2,869.27

Table 2

For HHAs that **DO NOT** Submit Quality Data -- National 60-Day Episode Amounts Updated by the Home Health Market Basket Update for CY 2014
Before Case-Mix Adjustment, Wage Index Adjustment Based on the Site of Service for the Beneficiary

2013 Estimated Average Payment per Episode	Outlier Adjustment Factor	Standardization Factor	2014 Rebasing Adjustment	CY 2014 HH Market Basket Update minus 2 Percentage Points	CY 2014 National, Standardized 60-Day Episode Payment
\$2,952.03	X 0.975	X 1.0026	-\$80.95	X 1.003	=\$2,813.18

Table 3

For HHAs that **DO** Submit Quality Data - National Per-Visit Amounts for LUPAs and Outlier Calculations Updated by the HH Market Basket Update, Before Wage Index Adjustment

HH Discipline Type	CY 2013 Per-Visit Payment	Wage Index Budget Neutrality Factor	CY 2014 Rebasing Adjustment	2014 HH Market Basket Update	CY 2014 Per-Visit Payment
Home Health Aide	\$51.79	X 1.0006	+\$1.79	X 1.023	\$54.84
Medical Social Services	\$183.31	X 1.0006	+\$6.34	X 1.023	\$194.12
Occupational Therapy	\$125.88	X 1.0006	+\$4.35	X 1.023	\$133.30
Physical Therapy	\$125.03	X 1.0006	+\$4.32	X 1.023	\$132.40
Skilled Nursing	\$114.35	X 1.0006	+\$3.96	X 1.023	\$121.10
Speech-Language Pathology	\$135.86	X 1.0006	+\$4.70	X 1.023	\$143.88

Table 4					
For HHAs that DO NOT Submit Quality Data - National Per-Visit Amounts for LUPAs and Outlier Calculations Updated by the HH Market Basket Update, Before Wage Index Adjustment					
HH Discipline Type	CY 2013 Per-Visit Payment	Wage Index Budget Neutrality Factor	CY 2014 Rebasing Adjustment	2014 HH Market Basket Update Minus 2 Percent-age Points	CY 2014 Per-Visit Payment
Home Health Aide	\$51.79	X 1.0006	+\$1.79	X 1.003	\$53.77
Medical Social Services	\$183.31	X 1.0006	+\$6.34	X 1.003	\$190.33
Occupational Therapy	\$125.88	X 1.0006	+\$4.35	X 1.003	\$130.70
Physical Therapy	\$125.03	X 1.0006	+\$4.32	X 1.003	\$129.81
Skilled Nursing	\$114.35	X 1.0006	+\$3.96	X 1.003	\$118.73
Speech-Language Pathology	\$135.86	X 1.0006	+\$4.70	X 1.003	\$141.06

Table 5	
CY 2014 LUPA Add-On factors	
HH Discipline Type	
Skilled Nursing	1.8451
Physical Therapy	1.6700
Speech-Language Pathology	1.6266

Table 6a			
CY 2014 NRS Conversion Factor for HHAs that DO Submit the Required Quality Data			
CY 2013 NRS Conversion Factor	2014 Rebasing Adjustment	CY 2014 HH Market Basket Update	CY 2014 NRS Conversion Factor
\$53.97	X 0.9718	X 1.023	\$53.65

Table 6b			
Relative Weights for the 6-Severity NRS System for HHAs that DO Submit Quality Data			
Severity Level	Points (Scoring)	Relative Weight	NRS Payment Amount
1	0	0.2698	\$14.47
2	1 to 14	0.9742	\$52.27
3	15 to 27	2.6712	\$143.31
4	28 to 48	3.9686	\$212.92
5	49 to 98	6.1198	\$328.33
6	99+	10.5254	\$564.69

Table 7a			
CY 2014 NRS Conversion Factor for HHAs that DO NOT Submit the Required Quality Data			
CY 2013 NRS Conversion Factor	2014 Rebasing Adjustment	CY 2014 HH Market Basket Update minus 2 percentage points (0.3 percent)	CY 2014 NRS Conversion Factor
\$53.97	X 0.9718	X 1.003	\$52.61

Table 7b			
Relative Weights for the 6-Severity NRS System for HHAs that DO NOT Submit Quality Data			
Severity Level	Points (Scoring)	Relative Weight	NRS Payment Amount
1	0	0.2698	\$14.19
2	1 to 14	0.9742	\$51.25
3	15 to 27	2.6712	\$140.53
4	28 to 48	3.9686	\$208.79
5	49 to 98	6.1198	\$321.96
6	99+	10.5254	\$553.74

Table 8					
CY 2014 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		
National, Standardized 60-Day Episode Payment Rate	Multiply by the 3 Percent Rural Add-On	Rural National Standardized 60-Day Episode Payment Rate	National Standardized 60-Day Episode Payment Rate	Multiply by the 3 Percent Rural Add-On	Rural National, Standardized 60-Day Episode Payment Rate
\$2,869.27	X 1.03	\$2,955.35	\$2,813.18	X 1.03	\$2,897.58

Table 9						
CY 2014 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		
	Per-visit rate	Multiply by the 3 Percent Rural Add-On	Rural per-visit rate	Per-visit rate	Multiply by the 3 Percent Rural Add-On	Rural per-visit rate
HH Aide	\$54.84	X 1.03	\$56.49	\$53.77	X 1.03	\$55.38
MSS	\$194.12	X 1.03	\$199.94	\$190.33	X 1.03	\$196.04
OT	\$133.30	X 1.03	\$137.30	\$130.70	X 1.03	\$134.62
PT	\$132.40	X 1.03	\$136.37	\$129.81	X 1.03	\$133.70
SN	\$121.10	X 1.03	\$124.73	\$118.73	X 1.03	\$122.29
SLP	\$143.88	X 1.03	\$148.20	\$141.06	X 1.03	\$145.29

Table 10a					
CY 2014 Conversion Factor for Services Provided in Rural Areas					
For HHAs that DO submit quality data			For HHAs that DO NOT submit quality data		
Conversion Factor	Multiply by the 3 Percent Rural Add-On	Rural Conversion Factor	Conversion Factor	Multiply by the 3 Percent Rural Add-On	Rural Conversion Factor
\$53.65	X 1.03	\$55.26	\$52.61	X 1.03	\$54.19

Table 10b					
Relative Weights for the 6-Severity NRS System for Services Provided in Rural Areas					
		For HHAs that DO submit quality data (NRS Conversion Factor=\$55.26)		For HHAs that DO NOT submit quality data (NRS Conversion Factor=\$54.19)	
Severity Level	Points (Scoring)	Relative Weight	Total NRS Payment Amount for Rural Areas	Relative Weight	Total NRS Payment Amount for Rural Areas
1	0	0.2698	\$14.91	0.2698	\$14.62
2	1 to 14	0.9742	\$53.83	0.9742	\$52.79
3	15 to 27	2.6712	\$147.61	2.6712	\$144.75
4	28 to 48	3.9686	\$219.30	3.9686	\$215.06
5	49 to 98	6.1198	\$338.18	6.1198	\$331.63
6	99+	10.5254	\$581.63	10.5254	\$570.37