CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-04 Medicare Claims Processing	Centers for Medicare & Medicaid Services (CMS)
Transmittal 3624	**Date: October 14, 2016**
	Change Request 9820

NOTE: This Transmittal is no longer sensitive and is being re-communicated November 14, 2016. The Transmittal Number, date of Transmittal and all other information remains 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) 2017

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 2017. The attached Recurring Update Notification applies to Pub. 100-04, Medicare Claims Processing Manual, chapter 10, section 70.5.

EFFECTIVE DATE: January 1, 2017
**Unless otherwise specified, the effective date is the date of service.*
IMPLEMENTATION DATE: January 3, 2017

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
R	10/70.4/Decision Logic Used by the Pricer on Claims

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: 3624	Date: October 14, 2016	Change Request: 9820

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EFFECTIVE DATE: January 1, 2017
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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 2017.

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 2017 HH market basket update is 2.8 percent which is then reduced by a multi-factor productivity (MFP) adjustment of 0.3 percentage points. The resulting home health (HH) payment update is equal to 2.5 percent. HHAs that do not report the required quality data will receive a 2 percentage point reduction to the HH payment update.

National, Standardized 60-Day Episode Payment

As described in the CY 2017 HH PPS final rule, in order to calculate the CY 2017 national, standardized 60-day episode payment rate, CMS applies a wage index budget neutrality factor of 0.9996 and a case-mix budget neutrality factor of 1.0214 to the previous calendar year's national, standardized 60-day episode rate. In order to account for nominal case-mix growth from CY 2012 to CY 2014, CMS applies a payment reduction of 0.97 percent to the national, standardized 60-day episode payment rate. 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 2017 HH payment update percentage of 2.5 percent for HHAs that submit the required quality data and by 2.5 percent minus 2 percentage points, or 0.5 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

In order to calculate the CY 2017 national per-visit payment rates, CMS starts with the CY 2016 national per-visit rates. CMS applies a wage index budget neutrality factor of 1.0000 to ensure budget neutrality for low utilization payment adjustment (LUPA) per-visit payments after applying the CY 2017 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 2017 HH payment update of 2.5 percent for HHAs that submit the required quality data and by 0.5 percent for HHAs that do not submit quality data. The per-visit rates are shown in Tables 3 and 4.

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 2017 NRS conversion factors, CMS starts with the CY 2016 NRS conversion factor and applies a 2.82 percent rebasing adjustment as described in the CY 2017 HH PPS final rule. CMS then updates the conversion factor by the CY 2017 HH payment update of 2.5 percent for HHAs that submit the required quality data and by 0.5 percent for HHAs that do not submit quality data. CMS does not apply any standardization factors as the NRS payment amount calculated from the conversion factor is neither wage nor case-mix adjusted when the final payment amount is computed. The NRS conversion factor for CY 2017 payments for HHAs that do submit the required quality data is shown in Table 5a and the payment amounts for the various NRS severity levels are shown in Table 5b. The NRS conversion factor for CY 2017 payments for HHAs that do not submit quality data is shown in Table 6a and the payment amounts for the various NRS severity levels are shown in Table 6b.

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 7 through 9b for the CY 2017 rural payment rates.

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

II. BUSINESS REQUIREMENTS TABLE

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

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
9820.1	The contractor shall install a new HH PPS Pricer software module effective January 1, 2017.					X				
9820.1.1	The contractor shall apply the CY 2017 HH PPS payment rates for episodes with claim statement "Through" dates on or after January 1, 2017, and on or before December 31, 2017.					X				

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility				
		A/B MAC			DME MAC	CEDI
		A	B	HHH		
9820.2	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:

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, Standardized 60-Day Episode Amount for CY 2017						
CY 2016 National, Standardized 60-Day Episode Payment	Wage Index Budget Neutrality Factor	Case-Mix Weights Budget Neutrality Factor	Nominal Case-Mix Growth Adjust-ment	CY 2017 Rebasing Adjust-ment	CY 2017 HH Payment Update	CY 2017 National, Standardized 60-Day Episode Payment
$2,965.12	X 0.9996	X 1.0214	X 0.9903	-$80.95	X 1.025	$2,989.97

Table 2						
For HHAs that DO **NOT** Submit Quality Data – National, Standardized 60-Day Episode Amount for CY 2017						
CY 2016 National, Standardized 60-Day Episode Payment	Wage Index Budget Neutrality Factor	Case-Mix Weights Budget Neutrality Factor	Nominal Case-Mix Growth Adjust-ment	CY 2017 Rebasing Adjust-ment	CY 2017 HH Payment Update Minus 2 Percentage Points	CY 2017 National, Standardized 60-Day Episode Payment
$2,965.12	X 0.9996	X 1.0214	X 0.9903	-$80.95	X 1.005	$2,931.63

Table 3					
For HHAs that **DO** Submit Quality Data – CY 2017 National Per-Visit Amounts for LUPAs and Outlier Calculations					
HH Discipline Type	CY 2016 Per-Visit Payment	Wage Index Budget Neutrality Factor	CY 2017 Rebasing Adjustment	CY 2017 HH Payment Update	CY 2017 Per-Visit Payment
Home Health Aide	$60.87	X 1.0000	+ $1.79	X 1.025	$64.23
Medical Social Services	$215.47	X 1.0000	+ $6.34	X 1.025	$227.36
Occupational Therapy	$147.95	X 1.0000	+ $4.35	X 1.025	$156.11
Physical Therapy	$146.95	X 1.0000	+ $4.32	X 1.025	$155.05
Skilled Nursing	$134.42	X 1.0000	+ $3.96	X 1.025	$141.84
Speech-Language Pathology	$159.71	X 1.0000	+ 4.70	X 1.025	$168.52

Table 4					
For HHAs that DO **NOT** Submit Quality Data – CY 2017 National Per-Visit Amounts for LUPAs and Outlier Calculations					
HH Discipline Type	CY 2016 Per-Visit Payment	Wage Index Budget Neutrality Factor	CY 2017 Rebasing Adjustment	CY 2017 HH Payment Update	CY 2017 Per-Visit Payment
Home Health Aide	$60.87	X 1.0000	+ $1.79	X 1.005	$62.97
Medical Social Services	$215.47	X 1.0000	+ $6.34	X 1.005	$222.92
Occupational Therapy	$147.95	X 1.0000	+ $4.35	X 1.005	$153.06
Physical Therapy	$146.95	X 1.0000	+ $4.32	X 1.005	$152.03
Skilled Nursing	$134.42	X 1.0000	+ $3.96	X 1.005	$139.07
Speech-Language Pathology	$159.71	X 1.0000	+ 4.70	X 1.005	$165.23

Table 5a			
CY 2017 NRS Conversion Factor for HHAs that **DO** Submit the Required Quality Data			
CY 2016 NRS Conversion Factor	CY 2017 Rebasing Adjustment	CY 2017 HH Payment Update	CY 2017 NRS Conversion Factor
$52.71	X 0.9718	X 1.025	$52.50

Table 5b			
CY 2017 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 2017 NRS Payment Amounts
1	0	0.2698	$ 14.16
2	1 to 14	0.9742	$ 51.15
3	15 to 27	2.6712	$ 140.24
4	28 to 48	3.9686	$ 208.35
5	49 to 98	6.1198	$ 321.29
6	99+	10.5254	$ 552.58

Table 6a			
CY 2017 NRS Conversion Factor for HHAs that DO **NOT** Submit the Required Quality Data			
CY 2016 NRS Conversion Factor	CY 2017 Rebasing Adjustment	CY 2017 HH Payment Update Percentage Minus 2 Percentage Points	CY 2017 NRS Conversion Factor
$52.71	X 0.9718	X 1.005	$51.48

Table 6b			
CY 2017 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 2017 NRS Payment Amounts
1	0	0.2698	$ 13.89
2	1 to 14	0.9742	$ 50.15
3	15 to 27	2.6712	$ 137.51
4	28 to 48	3.9686	$ 204.30
5	49 to 98	6.1198	$ 315.05
6	99+	10.5254	$ 541.85

Table 7						
CY 2017 National, Standardized 60-Day Payment Amounts for Services Provided in a Rural Area						
For HHAs that **DO** Submit Quality Data				For HHAs that DO **NOT** Submit Quality Data		
CY 2017 National, Standardized 60-Day Episode Payment Rate	Multiply by the 3 Percent Rural Add-On	CY 2017 Rural National, Standardized 60-Day Episode Payment Rate		CY 2017 National, Standardized 60-Day Episode Payment Rate	Multiply by the 3 Percent Rural Add-On	CY 2017 Rural National, Standardized 60-Day Episode Payment Rate
$2,989.97	X 1.03	$3,079.67		$2,931.63	X 1.03	$3,019.58

Table 8							
CY 2017 National Per-Visit Amounts for Services Provided in a Rural Area							
	For HHAs that **DO** submit quality data				For HHAs that DO **NOT** submit quality data		
HH Discipline Type	CY 2017 Per-visit rate	Multiply by the 3 Percent Rural Add-On	CY 2017 Rural Per-Visit Rates		CY 2017 Per-visit rate	Multiply by the 3 Percent Rural Add-On	CY 2017 Rural Per-Visit Rates
HH Aide	$64.23	X 1.03	$66.16		$62.97	X 1.03	$64.86
MSS	$227.36	X 1.03	$234.18		$222.92	X 1.03	$229.61
OT	$156.11	X 1.03	$160.79		$153.06	X 1.03	$157.65
PT	$155.05	X 1.03	$159.70		$152.03	X 1.03	$156.59
SN	$141.84	X 1.03	$146.10		$139.07	X 1.03	$143.24
SLP	$168.52	X 1.03	$173.58		$165.23	X 1.03	$170.19

Table 9a						
CY 2017 NRS Conversion Factor for Services Provided in Rural Areas						
For HHAs that **DO** submit quality data				For HHAs that DO **NOT** submit quality data		
CY 2017 Conversion Factor	Multiply by the 3 Percent Rural Add-On	CY 2017 Rural NRS Conversion Factor		CY 2017 Conversion Factor	Multiply by the 3 Percent Rural Add-On	CY 2017 Rural NRS Conversion Factor
$52.50	X 1.03	$54.08		$51.48	X 1.03	$53.02

Table 9b						
CY 2017 Relative Weights and Payment Amounts for the 6-Severity NRS System for Services Provided in Rural Areas						
			For HHAs that **DO** submit quality data		For HHAs that DO **NOT** submit quality data	
Severity Level	Points (Scoring)		Relative Weight	CY 2017 NRS Payment Amounts for Rural Areas	Relative Weight	CY 2017 NRS Payment Amounts for Rural Areas
1	0		0.2698	$14.59	0.2698	$14.30
2	1 to 14		0.9742	$52.68	0.9742	$51.65
3	15 to 27		2.6712	$144.46	2.6712	$141.63
4	28 to 48		3.9686	$214.62	3.9686	$210.42
5	49 to 98		6.1198	$330.96	6.1198	$324.47
6	99+		10.5254	$569.21	10.5254	$558.06

70.4 - Decision Logic Used by the Pricer on Claims

(Rev. 3624, Issued: 10-14-16, Effective: 01-01-17, Implementation: 01-03-17)

The following calculations shall apply to claims with "From" dates on or after January 1, 2008.

On input records with TOB 329, 327, 32F, 32G, 32H, 32I, 32J, 32K, 32M, 32Q, 33Q or 32P (that is, all provider submitted claims and provider or A/B MAC (HHH) initiated adjustments), Pricer will perform the following calculations in the numbered order.

Prior to these calculations, determine the applicable Federal standard episode rate to apply by reading the value in "INIT-PYMNT-INDICATOR." If the value is 0 or 1, use the full standard episode rate in subsequent calculations. If the value is 2 or 3, use the standard episode rate which has been reduced by 2 percent due to the failure of the provider to report required quality data.

1. Low Utilization Payment Adjustment (LUPA) calculation.

1.1 If the "REVENUE-SUM1-6-QTY-ALL" (the total of the 6 revenue code quantities, representing the total number of visits on the claim) is less than 5, read the national standard per visit rates for each of the six "REVENUE-QTY-COV-VISITS" fields from the revenue code table for the calendar year in which the "SERV-THRU-DATE" falls. Multiply each quantity by the corresponding rate. Wage index adjust each value and report the payment in the associated "REVENUE-COST" field.

1.2 If the following conditions are met, calculate an additional LUPA add-on payment:

- the dates in the "SERV-FROM-DATE" and "ADMIT-DATE" fields match
- the first position of the HIPPS code is a 1 or a 2
- the value in "LUPA-SRC-ADM" is not a B AND
- the value in "RECODE-IND" is not a 2.

Compare the earliest line item dates for revenue codes 042x, 044x and 055x and select the revenue code with the earliest date.

If the earliest date for revenue codes 042x or 044x match the revenue code 055x date, select revenue code 055x.

If the earliest date for revenue codes 042x and 044x match and revenue code 055x is not present, select revenue code 042x.

1.3 Apply the appropriate LUPA add-on factor to the selected earliest dated line.

- If revenue code 055x, multiply the national per-visit amount by 1.8451.
- If revenue code 042x, multiply the national per-visit amount by 1.6700.
- If revenue code 044x, multiply the national per-visit amount by 1.6266.

Return the resulting payment amount in the "REVENUE-ADD-ON-VISIT-AMT" field.

1.4 Return the sum of all "REVENUE-COST" amounts and the "REVENUE-ADD-ON-VISIT-AMT" amount, if applicable, in the "TOTAL-PAYMENT" field. If the LUPA payment includes LUPA add-on amount, return 14 in the "PAY-RTC" field. Otherwise, return 06 in the "PAY-

RTC" field. These distinct return codes assist the shared systems in apportioning visit payments to claim lines. No further calculations are required.

1.5 If "REVENUE-SUM1-6-QTY-ALL" is greater than or equal to 5, proceed to the recoding process in step 2.

2. Recoding of claims based on episode sequence and therapy thresholds.

2.1. Read the "RECODE-IND." If the value is 0, proceed to step 3.1, 4.1 or 5.1 below (therapy visit recoding) based on the claim "Through" date.

If the value in "RECODE-IND" is 1, find the number of therapy services reported in "REVENUE - SUM 1-3-QTY-THR." If the number of therapy services is in the range 0-13, recode the first position of the HIPPS code to 1. If the number of therapy services is in the range 14-19, recode the first position of the HIPPS code to 2.

If the value in "RECODE-IND" is 3, find the number of therapy services reported in "REVENUE - SUM 1-3-QTY-THR." If the number of therapy services is in the range 0-13, recode the first position of the HIPPS code to 3. If the number of therapy services is in the range 14-19, recode the first position of the HIPPS code to 4.

2.2. Read the alphabetic values in the "CLINICAL-SEV-EQ" field and "FUNCTION-SEV-EQ" field for which the number at the end of the field names corresponds to the recoded first position of the HIPPS code determined in step 2.1. Translate the alphabetic value from a hexavigesimal code to its corresponding numeric value. These are the severity scores in the clinical and functional domains of the case mix model under the payment equation that applies to the claim.

3. For claims with "Through" dates on or after January 1, 2015 and before January 1, 2016, use the following translation. Otherwise, proceed to step 4.

If the recoded first position of the HIPPS code is 1, use the numeric values for the clinical and functional severity levels and the number of therapy visits in the "REVENUE - SUM 1-3-QTY-THR" field to recode the 2nd, 3rd and 4th positions of the HIPPS code as follows.

- recode the 2nd position of the HIPPS code according to the table below:

Treatment Authorization Code position 11 – CLINICAL-SEV-EQ1 value	CLINICAL-SEV-EQ1 converted point value	Clinical Severity Level	Resulting HRG - OUTPUT – CODE 2nd position value
A thru B	0 - 1	C1 (Min)	A
C thru D	2 - 3	C2 (Low)	B
E+	4+	C3 (Mod)	C

- recode the 3rd position of the HIPPS code according to the table below:

Treatment Authorization Code position 12 – FUNCTION-SEV-EQ1 value	FUNCTION-SEV-EQ1 converted point value	Functional Severity Level	Resulting HRG - OUTPUT – CODE 3rd position value
A thru O	0 - 14	F1 (Min)	F
P	15	F2 (Low)	G
Q +	16+	F3 (Mod)	H

- change the 4th position of the HIPPS code according to the table below:

REVENUE - SUM 1-3-QTY-THR value	Resulting HRG - OUTPUT – CODE 4th position value
0-5	K
6	L
7-9	M
10	N
11-13	P

If the recoded first position of the HIPPS code is 2, use the numeric values for the clinical and functional severity levels and the number of therapy visits in the "REVENUE - SUM 1-3-QTY-THR" field to recode the 2nd, 3rd and 4th positions of the HIPPS code as follows:

- recode the 2nd position of the HIPPS code according to the table below:

Treatment Authorization Code position 13 – CLINICAL-SEV-EQ2 value	CLINICAL-SEV-EQ2 converted point value	Clinical Severity Level	Resulting HRG - OUTPUT – CODE 2nd position value
A thru B	0 - 1	C1 (Min)	A
C thru H	2 - 7	C2 (Low)	B
I+	8+	C3 (Mod)	C

recode the 3rd position of the HIPPS code according to the table below:

Treatment Authorization Code position 14 – FUNCTION-SEV-EQ2 value	FUNCTION-SEV-EQ2 converted point value	Functional Severity Level	Resulting HRG - OUTPUT – CODE 3rd position value
A thru D	0 - 3	F1 (Min)	F
E thru N	4 - 13	F2 (Low)	G
O +	14+	F3 (Mod)	H

- change the 4th position of the HIPPS code according to the table below:

REVENUE - SUM 1-3-QTY-THR value	Resulting HRG - OUTPUT – CODE 4th position value
14 - 15	K
16 - 17	L
18 - 19	M

If the recoded first position of the HIPPS code is 3, use the numeric values for the clinical and functional severity levels and the number of therapy visits in the "REVENUE - SUM 1-3-QTY-THR" field to recode the 2nd, 3rd and 4th positions of the HIPPS code as follows:

- recode the 2nd position of the HIPPS code according to the table below:

Treatment Authorization Code position 15 – CLINICAL-SEV-EQ3 value	CLINICAL-SEV-EQ3 converted point value	Clinical Severity Level	Resulting HRG - OUTPUT – CODE 2nd position value
A	0	C1 (Min)	A
B	1	C2 (Low)	B
C+	2+	C3 (Mod)	C

recode the 3rd position of the HIPPS code according to the table below:

Treatment Authorization Code position 16 – FUNCTION-SEV-EQ3 value	FUNCTION-SEV-EQ3 converted point value	Functional Severity Level	Resulting HRG - OUTPUT – CODE 3rd position value
A thru J	0 - 9	F1 (Min)	F
K	10	F2 (Low)	G
L +	11+	F3 (Mod)	H

- change the 4th position of the HIPPS code according to the table below:

REVENUE - SUM 1-3-QTY-THR value	Resulting HRG - OUTPUT – CODE 4th position value
0 - 5	K
6	L
7 - 9	M
10	N
11 - 13	P

If the recoded first position of the HIPPS code is 4, use the numeric values for the clinical and functional severity levels and the number of therapy visits in the "REVENUE - SUM 1-3-QTY-THR" field to recode the 2nd, 3rd and 4th positions of the HIPPS code as follows:

- recode the 2nd position of the HIPPS code according to the table below:

Treatment Authorization Code position 17 – CLINICAL-SEV-EQ4 value	CLINICAL-SEV-EQ4 converted point value	Clinical Severity Level	Resulting HRG - OUTPUT – CODE 2nd position value
A thru F	0 - 5	C1 (Min)	A
G thru M	6 - 12	C2 (Low)	B
N +	13+	C3 (Mod)	C

recode the 3rd position of the HIPPS code according to the table below:

Treatment Authorization Code position 18 – FUNCTION-SEV-EQ4 value	FUNCTION-SEV-EQ4 converted point value	Functional Severity Level	Resulting HRG - OUTPUT – CODE 3rd position value
A	0	F1 (Min)	F
B thru H	1 - 7	F2 (Low)	G
I+	8+	F3 (Mod)	H

- change the 4th position of the HIPPS code according to the table below:

REVENUE - SUM 1-3-QTY-THR value	Resulting HRG - OUTPUT – CODE 4th position value
14 - 15	K
16 - 17	L
18 - 19	M

Move the resulting recoded HIPPS code to the "HRG-OUTPUT-CODE" fields. Proceed to HRG payment calculations. Use the weights associated with the code in the "HRG-OUTPUT-CODE field for all further calculations.

3.1 If the first position of the HIPPS code submitted in "HRG-INPUT-CODE" is a 5 and the number of therapy services in "REVENUE - SUM 1-3-QTY-THR" is less than 20, read the value in the "EPISODE-TIMING" field.

If the value in the "EPISODE-TIMING" field is a 1, and the number of therapy services is in the range 0-13, recode the first position of the HIPPS code to 1. If the number of therapy services is in the range 14-19, recode the first position of the HIPPS code to 2.

If the value in the "EPISODE-TIMING" field is a 2, and the number of therapy services is in the range 0-13, recode the first position of the HIPPS code to 3. If the number of therapy services is in the range 14-19, recode the first position of the HIPPS code to 4.

Return to the start of step *3* and recode the remaining positions of the HIPPS code as described above.

3.2 In all cases, read only the "REVENUE - SUM 1-3-QTY-THR" field and recode the 4th positions of the HIPPS code according to the table below, if possible:

HIPPS codes beginning with 1 or 3		HIPPS codes beginning with 2 or 4	
REVENUE - SUM 1-3-QTY-THR value	Resulting HRG - OUTPUT – CODE 4th position value	REVENUE - SUM 1-3-QTY-THR value	Resulting HRG - OUTPUT – CODE 4th position value
0-5	K	14-15	K
6	L	16-17	L
7-9	M	18-19	M
10	N		
11-13	P		

Move the resulting recoded HIPPS code to the "HRG-OUTPUT-CODE" fields. Proceed to HRG payment calculations. Use the weights associated with the code in the "HRG-OUTPUT-CODE field for all further calculations.

If the HIPPS code begins with 1 and the value in "REVENUE - SUM 1-3-QTY-THR" is greater than 13 and less than 20, change the first position of the HIPPS code to 2, and set the "RECODE-IND" to 1. Return to step 2.1 and recode the remaining positions of the HIPPS code as described above.

If the HIPPS code begins with 3 and the value in "REVENUE - SUM 1-3-QTY-THR" is greater than 13 and less than 20, change the first position of the HIPPS code to 4, and set the "RECODE-IND" to 3. Return to step 2.1 and recode the remaining positions of the HIPPS code as described above.

If the HIPPS code begins with 2 and the value in "REVENUE - SUM 1-3-QTY-THR" is less than 14, change the first position of the HIPPS code to 1, and set the "RECODE-IND" to 1. Return to step 2.1 and recode the remaining positions of the HIPPS code as described above.

If the HIPPS code begins with 4 and the value in "REVENUE - SUM 1-3-QTY-THR" is less than 14, change the first position of the HIPPS code to 3, and set the "RECODE-IND" to 3. Return to step 2.1 and recode the remaining positions of the HIPPS code as described above.

If the HIPPS code begins with 1 or 2 and the value in "REVENUE - SUM 1-3-QTY-THR" is 20 or more:

- change the first position of the HIPPS code to 5
  recode the 2nd position of the HIPPS code according to the table below:

Treatment Authorization Code position 13 – CLINICAL-SEV-EQ2 value	CLINICAL-SEV-EQ2 converted point value	Clinical Severity Level	Resulting HRG - OUTPUT – CODE 2nd position value
A thru D	0 - 3	C1 (Min)	A
E thru Q	4 - 16	C2 (Low)	B
R+	17+	C3 (Mod)	C

recode the 3rd position of the HIPPS code according to the table below:

Treatment Authorization Code position 14 – FUNCTION-SEV-EQ2 value	FUNCTION-SEV-EQ2 converted point value	Functional Severity Level	Resulting HRG - OUTPUT – CODE 3rd position value
A thru C	0 - 2	F1 (Min)	F
D thru F	3 - 5	F2 (Low)	G
G+	6+	F3 (Mod)	H

- change the 4th position of the HIPPS code to K.

If the HIPPS code begins with 3 or 4 and the value in "REVENUE - SUM 1-3-QTY-THR" is 20 or more:

- change the first position of the HIPPS code to 5
  recode the 2nd position of the HIPPS code according to the table below:

Treatment Authorization Code position 17 – CLINICAL-SEV-EQ4 value	CLINICAL-SEV-EQ4 converted point value	Clinical Severity Level	Resulting HRG - OUTPUT – CODE 2nd position value
A thru D	0 - 3	C1 (Min)	A
E thru Q	4 - 16	C2 (Low)	B
R +	17+	C3 (Mod)	C

recode the 3rd position of the HIPPS code according to the table below:

Treatment Authorization Code position 18 – FUNCTION-SEV-EQ4 value	FUNCTION-SEV-EQ4 converted point value	Functional Severity Level	Resulting HRG - OUTPUT – CODE 3rd position value
A thru C	0 - 2	F1 (Min)	F
D thru F	3 - 5	F2 (Low)	G
G+	6+	F3 (Mod)	H

- change the 4th position of the HIPPS code to K.

4. For claims with "Through" dates on or after January 1, 2016 *and before January 1, 2017,* use the following translation:

   If the recoded first position of the HIPPS code is 1, use the numeric values for the clinical and functional severity levels and the number of therapy visits in the "REVENUE - SUM 1-3-QTY-THR" field to recode the 2nd, 3rd and 4th positions of the HIPPS code as follows.

   - recode the 2nd position of the HIPPS code according to the table below:

Treatment Authorization Code position 11 – CLINICAL-SEV-EQ1 value	CLINICAL-SEV-EQ1 converted point value	Clinical Severity Level	Resulting HRG - OUTPUT – CODE 2nd position value
A thru B	0 - 1	C1 (Min)	A
C thru D	2 - 3	C2 (Low)	B
E+	4+	C3 (Mod)	C

   - recode the 3rd position of the HIPPS code according to the table below:

Treatment Authorization Code position 12 – FUNCTION-SEV-EQ1 value	FUNCTION-SEV-EQ1 converted point value	Functional Severity Level	Resulting HRG - OUTPUT – CODE 3rd position value
A thru O	0 - 14	F1 (Min)	F
P	15	F2 (Low)	G
Q +	16+	F3 (Mod)	H

   - change the 4th position of the HIPPS code according to the table below:

REVENUE - SUM 1-3-QTY-THR value	Resulting HRG - OUTPUT – CODE 4th position value
0-5	K
6	L
7-9	M
10	N
11-13	P

   If the recoded first position of the HIPPS code is 2, use the numeric values for the clinical and functional severity levels and the number of therapy visits in the "REVENUE - SUM 1-3-QTY-THR" field to recode the 2nd, 3rd and 4th positions of the HIPPS code as follows:

   - recode the 2nd position of the HIPPS code according to the table below:

Treatment Authorization Code position 13 – CLINICAL-SEV-EQ2 value	CLINICAL-SEV-EQ2 converted point value	Clinical Severity Level	Resulting HRG - OUTPUT – CODE 2nd position value
A thru B	0 - 1	C1 (Min)	A
C thru H	2 - 7	C2 (Low)	B
I+	8+	C3 (Mod)	C

- recode the 3rd position of the HIPPS code according to the table below:

Treatment Authorization Code position 14 – FUNCTION-SEV-EQ2 value	FUNCTION-SEV-EQ2 converted point value	Functional Severity Level	Resulting HRG - OUTPUT – CODE 3rd position value
A thru G	0 - 6	F1 (Min)	F
H thru N	7 - 13	F2 (Low)	G
O +	14+	F3 (Mod)	H

change the 4th position of the HIPPS code according to the table below:

REVENUE - SUM 1-3-QTY-THR value	Resulting HRG - OUTPUT – CODE 4th position value
14 - 15	K
16 - 17	L
18 - 19	M

If the recoded first position of the HIPPS code is 3, use the numeric values for the clinical and functional severity levels and the number of therapy visits in the "REVENUE - SUM 1-3-QTY-THR" field to recode the 2nd, 3rd and 4th positions of the HIPPS code as follows:

recode the 2nd position of the HIPPS code according to the table below:

Treatment Authorization Code position 15 – CLINICAL-SEV-EQ3 value	CLINICAL-SEV-EQ3 converted point value	Clinical Severity Level	Resulting HRG - OUTPUT – CODE 2nd position value
A	0	C1 (Min)	A
B	1	C2 (Low)	B
C+	2+	C3 (Mod)	C

recode the 3rd position of the HIPPS code according to the table below:

Treatment Authorization Code position 16 – FUNCTION-SEV-EQ3 value	FUNCTION-SEV-EQ3 converted point value	Functional Severity Level	Resulting HRG - OUTPUT – CODE 3rd position value
A thru G	0 - 6	F1 (Min)	F
H thru K	7 - 10	F2 (Low)	G
L +	11+	F3 (Mod)	H

- change the 4th position of the HIPPS code according to the table below:

REVENUE - SUM 1-3-QTY-THR value	Resulting HRG - OUTPUT – CODE 4th position value
0 - 5	K
6	L
7 - 9	M
10	N
11 - 13	P

If the recoded first position of the HIPPS code is 4, use the numeric values for the clinical and functional severity levels and the number of therapy visits in the "REVENUE - SUM 1-3-QTY-THR" field to recode the 2nd, 3rd and 4th positions of the HIPPS code as follows:

- recode the 2nd position of the HIPPS code according to the table below:

Treatment Authorization Code position 17 – CLINICAL-SEV-EQ4 value	CLINICAL-SEV-EQ4 converted point value	Clinical Severity Level	Resulting HRG - OUTPUT – CODE 2nd position value
A thru D	0 - 3	C1 (Min)	A
E thru M	4 - 12	C2 (Low)	B
N +	13+	C3 (Mod)	C

recode the 3rd position of the HIPPS code according to the table below:

Treatment Authorization Code position 18 – FUNCTION-SEV-EQ4 value	FUNCTION-SEV-EQ4 converted point value	Functional Severity Level	Resulting HRG - OUTPUT – CODE 3rd position value
A	0	F1 (Min)	F
B thru H	1 - 7	F2 (Low)	G
I+	8+	F3 (Mod)	H

- change the 4th position of the HIPPS code according to the table below:

REVENUE - SUM 1-3-QTY-THR value	Resulting HRG - OUTPUT – CODE 4th position value
14 - 15	K
16 - 17	L
18 - 19	M

Move the resulting recoded HIPPS code to the "HRG-OUTPUT-CODE" fields. Proceed to HRG payment calculations. Use the weights associated with the code in the "HRG-OUTPUT-CODE field for all further calculations.

4.1 If the first position of the HIPPS code submitted in "HRG-INPUT-CODE" is a 5 and the number of therapy services in "REVENUE - SUM 1-3-QTY-THR" is less than 20, read the value in the "EPISODE-TIMING" field.

If the value in the "EPISODE-TIMING" field is a 1, and the number of therapy services is in the range 0-13, recode the first position of the HIPPS code to 1. If the number of therapy services is in the range 14-19, recode the first position of the HIPPS code to 2.

If the value in the "EPISODE-TIMING" field is a 2, and the number of therapy services is in the range 0-13, recode the first position of the HIPPS code to 3. If the number of therapy services is in the range 14-19, recode the first position of the HIPPS code to 4.

Return to the start of step *4* and recode the remaining positions of the HIPPS code as described above.

4.2 In all cases, read only the "REVENUE - SUM 1-3-QTY-THR" field and recode the 4th positions of the HIPPS code according to the table below, if possible:

HIPPS codes beginning with 1 or 3		HIPPS codes beginning with 2 or 4	
REVENUE - SUM 1-3-QTY-THR value	Resulting HRG - OUTPUT – CODE 4th position value	REVENUE - SUM 1-3-QTY-THR value	Resulting HRG - OUTPUT – CODE 4th position value
0-5	K	14-15	K
6	L	16-17	L
7-9	M	18-19	M
10	N		
11-13	P		

Move the resulting recoded HIPPS code to the "HRG-OUTPUT-CODE" fields. Proceed to HRG payment calculations. Use the weights associated with the code in the "HRG-OUTPUT-CODE field for all further calculations.

If the HIPPS code begins with 1 and the value in "REVENUE - SUM 1-3-QTY-THR" is greater than 13 and less than 20, change the first position of the HIPPS code to 2, and set the "RECODE-IND" to 1. Return to step 2.1 and recode the remaining positions of the HIPPS code as described above.

If the HIPPS code begins with 3 and the value in "REVENUE - SUM 1-3-QTY-THR" is greater than 13 and less than 20, change the first position of the HIPPS code to 4, and set the "RECODE-IND" to 3. Return to step 2.1 and recode the remaining positions of the HIPPS code as described above.

If the HIPPS code begins with 2 and the value in "REVENUE - SUM 1-3-QTY-THR" is less than 14, change the first position of the HIPPS code to 1, and set the "RECODE-IND" to 1. Return to step 2.1 and recode the remaining positions of the HIPPS code as described above.

If the HIPPS code begins with 4 and the value in "REVENUE - SUM 1-3-QTY-THR" is less than 14, change the first position of the HIPPS code to 3, and set the "RECODE-IND" to 3. Return to step 2.1 and recode the remaining positions of the HIPPS code as described above.

If the HIPPS code begins with 1 or 2 and the value in "REVENUE - SUM 1-3-QTY-THR" is 20 or more:

- change the first position of the HIPPS code to 5
  recode the 2nd position of the HIPPS code according to the table below:

Treatment Authorization Code position 13 – CLINICAL-SEV-EQ2 value	CLINICAL-SEV-EQ2 converted point value	Clinical Severity Level	Resulting HRG - OUTPUT – CODE 2nd position value
A thru D	0 - 3	C1 (Min)	A
E thru Q	4 - 16	C2 (Low)	B
R+	17+	C3 (Mod)	C

- recode the 3rd position of the HIPPS code according to the table below:

Treatment Authorization Code position 14 – FUNCTION-SEV-EQ2 value	FUNCTION-SEV-EQ2 converted point value	Functional Severity Level	Resulting HRG - OUTPUT – CODE 3rd position value
A thru C	0 - 2	F1 (Min)	F
D thru G	3 - 6	F2 (Low)	G
H+	7+	F3 (Mod)	H

- change the 4th position of the HIPPS code to K.

If the HIPPS code begins with 3 or 4 and the value in "REVENUE - SUM 1-3-QTY-THR" is 20 or more:

- change the first position of the HIPPS code to 5
  recode the 2nd position of the HIPPS code according to the table below:

Treatment Authorization Code position 17 –	CLINICAL-SEV-EQ4 converted point value	Clinical Severity Level	Resulting HRG - OUTPUT – CODE 2nd position value

CLINICAL-SEV-EQ4 value			
A thru D	0 - 3	C1 (Min)	A
E thru Q	4 - 16	C2 (Low)	B
R +	17+	C3 (Mod)	C

- recode the 3rd position of the HIPPS code according to the table below:

Treatment Authorization Code position 18 – FUNCTION-SEV-EQ4 value	FUNCTION-SEV-EQ4 converted point value	Functional Severity Level	Resulting HRG - OUTPUT – CODE 3rd position value
A thru C	0 - 2	F1 (Min)	F
D thru G	3 - 6	F2 (Low)	G
H+	7+	F3 (Mod)	H

- change the 4th position of the HIPPS code to K.

5. For claims with "Through" dates on or after January 1, *2017*, use the following translation:

   If the recoded first position of the HIPPS code is 1, use the numeric values for the clinical and functional severity levels and the number of therapy visits in the "REVENUE - SUM 1-3-QTY-THR" field to recode the 2nd, 3rd and 4th positions of the HIPPS code as follows.

   - recode the 2nd position of the HIPPS code according to the table below:

Treatment Authorization Code position 11 – CLINICAL-SEV-EQ1 value	CLINICAL-SEV-EQ1 converted point value	Clinical Severity Level	Resulting HRG - OUTPUT – CODE 2nd position value
A thru B	0 - 1	C1 (Min)	A
C thru D	2 - 3	C2 (Low)	B
E+	4+	C3 (Mod)	C

   - recode the 3rd position of the HIPPS code according to the table below:

Treatment Authorization Code position 12 – FUNCTION-SEV-EQ1 value	FUNCTION-SEV-EQ1 converted point value	Functional Severity Level	Resulting HRG - OUTPUT – CODE 3rd position value
A thru *N*	0 - *13*	F1 (Min)	F
O	*14*	F2 (Low)	G
P+	*15+*	F3 (Mod)	H

   - change the 4th position of the HIPPS code according to the table below:

REVENUE - SUM 1-3-QTY-THR value	Resulting HRG - OUTPUT – CODE 4th position value
0-5	K
6	L
7-9	M
10	N
11-13	P

If the recoded first position of the HIPPS code is 2, use the numeric values for the clinical and functional severity levels and the number of therapy visits in the "REVENUE - SUM 1-3-QTY-THR" field to recode the 2nd, 3rd and 4th positions of the HIPPS code as follows:

- recode the 2nd position of the HIPPS code according to the table below:

Treatment Authorization Code position 13 – CLINICAL-SEV-EQ2 value	CLINICAL-SEV-EQ2 converted point value	Clinical Severity Level	Resulting HRG - OUTPUT – CODE 2nd position value
A thru B	0 - 1	C1 (Min)	A
C thru H	2 - 7	C2 (Low)	B
I+	8+	C3 (Mod)	C

- recode the 3rd position of the HIPPS code according to the table below:

Treatment Authorization Code position 14 – FUNCTION-SEV-EQ2 value	FUNCTION-SEV-EQ2 converted point value	Functional Severity Level	Resulting HRG - OUTPUT – CODE 3rd position value
A thru G	0 - 6	F1 (Min)	F
H thru N	7 - 13	F2 (Low)	G
O +	14+	F3 (Mod)	H

- change the 4th position of the HIPPS code according to the table below:

REVENUE - SUM 1-3-QTY-THR value	Resulting HRG - OUTPUT – CODE 4th position value
14 - 15	K
16 - 17	L
18 - 19	M

If the recoded first position of the HIPPS code is 3, use the numeric values for the clinical and functional severity levels and the number of therapy visits in the "REVENUE - SUM 1-3-QTY-THR" field to recode the 2nd, 3rd and 4th positions of the HIPPS code as follows:

- recode the 2nd position of the HIPPS code according to the table below:

Treatment Authorization Code position 15 – CLINICAL-SEV-EQ3 value	CLINICAL-SEV-EQ3 converted point value	Clinical Severity Level	Resulting HRG - OUTPUT – CODE 2nd position value
A *thru B*	0 - *1*	C1 (Min)	A
C	*2*	C2 (Low)	B
D+	*3+*	C3 (Mod)	C

- recode the 3rd position of the HIPPS code according to the table below:

Treatment Authorization Code position 16 – FUNCTION-SEV-EQ3 value	FUNCTION-SEV-EQ3 converted point value	Functional Severity Level	Resulting HRG - OUTPUT – CODE 3rd position value
A thru G	0 - 6	F1 (Min)	F
H thru K	7 - 10	F2 (Low)	G
L +	11+	F3 (Mod)	H

- change the 4th position of the HIPPS code according to the table below:

REVENUE - SUM 1-3-QTY-THR value	Resulting HRG - OUTPUT – CODE 4th position value
0 - 5	K
6	L
7 - 9	M
10	N
11 - 13	P

If the recoded first position of the HIPPS code is 4, use the numeric values for the clinical and functional severity levels and the number of therapy visits in the "REVENUE - SUM 1-3-QTY-THR" field to recode the 2nd, 3rd and 4th positions of the HIPPS code as follows:

- recode the 2nd position of the HIPPS code according to the table below:

Treatment Authorization Code position 17 – CLINICAL-SEV-EQ4 value	CLINICAL-SEV-EQ4 converted point value	Clinical Severity Level	Resulting HRG - OUTPUT – CODE 2nd position value
A thru *B*	0 - *1*	C1 (Min)	A
C thru J	*2 - 9*	C2 (Low)	B
K +	*10+*	C3 (Mod)	C

- recode the 3rd position of the HIPPS code according to the table below:

Treatment Authorization Code position 18 – FUNCTION-SEV-EQ4 value	FUNCTION-SEV-EQ4 converted point value	Functional Severity Level	Resulting HRG - OUTPUT – CODE 3rd position value
A *thru B*	0 - *1*	F1 (Min)	F
C thru J	*2 - 9*	F2 (Low)	G
K+	*10+*	F3 (Mod)	H

- change the 4th position of the HIPPS code according to the table below:

REVENUE - SUM 1-3-QTY-THR value	Resulting HRG - OUTPUT – CODE 4th position value
14 - 15	K
16 - 17	L
18 - 19	M

Move the resulting recoded HIPPS code to the "HRG-OUTPUT-CODE" fields. Proceed to HRG payment calculations. Use the weights associated with the code in the "HRG-OUTPUT-CODE field for all further calculations.

5.1 If the first position of the HIPPS code submitted in "HRG-INPUT-CODE" is a 5 and the number of therapy services in "REVENUE - SUM 1-3-QTY-THR" is less than 20, read the value in the "EPISODE-TIMING" field.

If the value in the "EPISODE-TIMING" field is a 1, and the number of therapy services is in the range 0-13, recode the first position of the HIPPS code to 1. If the number of therapy services is in the range 14-19, recode the first position of the HIPPS code to 2.

If the value in the "EPISODE-TIMING" field is a 2, and the number of therapy services is in the range 0-13, recode the first position of the HIPPS code to 3. If the number of therapy services is in the range 14-19, recode the first position of the HIPPS code to 4.

Return to the start of step 5 and recode the remaining positions of the HIPPS code as described above.

5.2 In all cases, read only the "REVENUE - SUM 1-3-QTY-THR" field and recode the 4th positions of the HIPPS code according to the table below, if possible:

HIPPS codes beginning with 1 or 3		HIPPS codes beginning with 2 or 4	
REVENUE - SUM 1-3-QTY-THR value	Resulting HRG - OUTPUT – CODE 4th position value	REVENUE - SUM 1-3-QTY-THR value	Resulting HRG - OUTPUT – CODE 4th position value
0-5	K	14-15	K
6	L	16-17	L
7-9	M	18-19	M
10	N		
11-13	P		

Move the resulting recoded HIPPS code to the "HRG-OUTPUT-CODE" fields. Proceed to HRG payment calculations. Use the weights associated with the code in the "HRG-OUTPUT-CODE field for all further calculations.

If the HIPPS code begins with 1 and the value in "REVENUE - SUM 1-3-QTY-THR" is greater than 13 and less than 20, change the first position of the HIPPS code to 2, and set the "RECODE-IND" to 1. Return to step 2.1 and recode the remaining positions of the HIPPS code as described above.

If the HIPPS code begins with 3 and the value in "REVENUE - SUM 1-3-QTY-THR" is greater than 13 and less than 20, change the first position of the HIPPS code to 4, and set the "RECODE-IND" to 3. Return to step 2.1 and recode the remaining positions of the HIPPS code as described above.

If the HIPPS code begins with 2 and the value in "REVENUE - SUM 1-3-QTY-THR" is less than 14, change the first position of the HIPPS code to 1, and set the "RECODE-IND" to 1. Return to step 2.1 and recode the remaining positions of the HIPPS code as described above.

If the HIPPS code begins with 4 and the value in "REVENUE - SUM 1-3-QTY-THR" is less than 14, change the first position of the HIPPS code to 3, and set the "RECODE-IND" to 3. Return to step 2.1 and recode the remaining positions of the HIPPS code as described above.

If the HIPPS code begins with 1 or 2 and the value in "REVENUE - SUM 1-3-QTY-THR" is 20 or more:

- change the first position of the HIPPS code to 5
- recode the 2nd position of the HIPPS code according to the table below:

Treatment Authorization Code position 13 – CLINICAL-SEV-EQ2 value	CLINICAL-SEV-EQ2 converted point value	Clinical Severity Level	Resulting HRG - OUTPUT – CODE 2nd position value
A thru D	0 - 3	C1 (Min)	A
E thru Q	4 - 16	C2 (Low)	B
R+	17+	C3 (Mod)	C

- recode the 3rd position of the HIPPS code according to the table below:

Treatment Authorization Code position 14 – FUNCTION-SEV-EQ2 value	FUNCTION-SEV-EQ2 converted point value	Functional Severity Level	Resulting HRG - OUTPUT – CODE 3rd position value
A thru C	0 - 2	F1 (Min)	F
D thru G	3 - 6	F2 (Low)	G
H+	7+	F3 (Mod)	H

- change the 4th position of the HIPPS code to K.

If the HIPPS code begins with 3 or 4 and the value in "REVENUE - SUM 1-3-QTY-THR" is 20 or more:

- change the first position of the HIPPS code to 5
  recode the 2nd position of the HIPPS code according to the table below:

Treatment Authorization Code position 17 – CLINICAL-SEV-EQ4 value	CLINICAL-SEV-EQ4 converted point value	Clinical Severity Level	Resulting HRG - OUTPUT – CODE 2nd position value
A thru D	0 - 3	C1 (Min)	A
E thru Q	4 - 16	C2 (Low)	B
R +	17+	C3 (Mod)	C

- recode the 3rd position of the HIPPS code according to the table below:

Treatment Authorization Code position 18 – FUNCTION-SEV-EQ4 value	FUNCTION-SEV-EQ4 converted point value	Functional Severity Level	Resulting HRG - OUTPUT – CODE 3rd position value
A thru C	0 - 2	F1 (Min)	F
D thru G	3 - 6	F2 (Low)	G
H+	7+	F3 (Mod)	H

- change the 4th position of the HIPPS code to K.

6. HRG payment calculations.

6.1. If the "PEP-INDICATOR" is an N:

Find the weight for the first four positions of the "HRG-OUTPUT-CODE" from the weight table for the calendar year in which the "SERV-THRU-DATE" falls. Multiply the weight times the Federal standard episode rate for the calendar year in which the "SERV-THRU-DATE" falls. The product is the case-mix adjusted rate. Multiply the case-mix adjusted rate by the current labor-related percentage (which is updated via Recurring Update Notifications, per section 70.5 below) to determine the labor portion. Multiply the labor portion by the wage index

corresponding to the "CBSA" field. Multiply the case-mix adjusted rate by the current nonlabor-related percentage (which is updated via Recurring Update Notifications, per section 70.5 below) to determine the nonlabor portion. Sum the labor and nonlabor portions. The sum is the wage index and case-mix adjusted payment for this HRG.

Find the non-routine supply weight corresponding to the fifth positions of the "HRG-OUTPUT-CODE" from the supply weight table for the calendar year in which the "SERV-THRU-DATE" falls. Multiply the weight times the Federal supply conversion factor for the calendar year in which the "SERV-THRU-DATE" falls. The result is the case-mix adjusted payment for non-routine supplies.

Sum the payment results for both portions of the "HRG-OUTPUT-CODE" and proceed to the outlier calculation (see step 7 below).

6.2. If the "PEP-INDICATOR" is a Y:

Perform the calculation of the case-mix and wage index adjusted payment for the HRG and supply amounts, as above. Determine the proportion to be used to calculate this PEP by dividing the "PEP-DAYS" amount by 60. Multiply the case-mix and wage index adjusted payment by this proportion. The result is the PEP payment due on the claim. Proceed to the outlier calculation (step 7 below).

7. Outlier calculation:

7.1. Wage index adjust the outlier fixed loss amount for the Federal fiscal year in which the "SERV-THRU-DATE" falls, using the CBSA code in the "CBSA" field. Add the resulting wage index adjusted fixed loss amount to the total dollar amount resulting from the HRG payment calculation. This is the outlier threshold for the episode.

7.2. Claims with "Through" dates before January 1, 2017: For each quantity in the six "REVENUE-QTY-COV-VISITS" fields, read the national standard per visit rates from *the* revenue code table for the year in which the "SERV-THRU-DATE" falls. Multiply each quantity by the corresponding rate. Sum the six results and wage index adjust this sum as described above, using the CBSA code in the "CBSA" field. The result is the wage index adjusted imputed cost for the episode.

Claims with "Through" dates on or after January 1, 2017: For each quantity in the six "REVENUE-QTY- OUTLIER-UNITS" fields, read the national standard per unit rates from *the* revenue code table for the year in which the "SERV-THRU-DATE" falls. Multiply each quantity by the corresponding rate. Sum the six results and wage index adjust this sum as described above, using the CBSA code in the "CBSA" field. The result is the wage index adjusted imputed cost for the episode.

7.3. Subtract the outlier threshold for the episode from the imputed cost for the episode.

7.4. If the result determined in step 7.3 is greater than $0.00, calculate .80 times the result. This is the outlier payment amount.

7.5. Determine whether the outlier payment is subject to the 10% annual limitation on outliers as follows:

- Multiply the amount in the “PROV-PAYMENT-TOTAL” field by 10 percent to determine the HHA’s outlier limitation amount.

- Deduct the amount in the “PROV-OUTLIER-PAY-TOTAL” from the outlier limitation amount. This result is the available outlier pool for the HHA.

- If the available outlier pool is greater than or equal to the outlier payment amount calculated in step 7.4, return the outlier payment amount in the “OUTLIER-PAYMENT” field. Add this amount to the total dollar amount resulting from all HRG payment calculations. Return the sum in the “TOTAL-PAYMENT” field, with return code 01.

- If the available outlier pool is less than the outlier payment amount calculated in step 7.4, return no payment amount in the “OUTLIER-PAYMENT” field. Assign return code 02 to this record.

7.6. If the result determined in step 7.3 is less than or equal to $0.00, the total dollar amount resulting from all HRG payment calculations is the total payment for the episode. Return zeroes in the “OUTLIER-PAYMENT” field. Return the total of all HRG payment amounts in the “TOTAL-PAYMENT” field, with return code 00.