

## Chapter 12

## Addendum K (CY 2016)

# Annual Home Health Agency Prospective Payment System (HHA PPS) Rate Updates - CY 2016

Revision: C-1, March 10, 2017

(Final payment amounts per 60-day episodes ending on or after January 1, 2016, and before January 1, 2017 - Continuing Calendar Year (CY) update.)

### HHA PPS - Determination of Standard HHA PPS Amounts

Section 1895(b)(3)(B) of the Act, as amended by section 5201 of the Deficit Reduction Act (DRA), requires for CY 2016 that the standard prospective payment amount be increased by a factor equal to the applicable Home Health (HH) market basket update for HHAs.

### Rebasing of 60-Day Episode Payment Amount, National Per-Visit Rates, and the Non-Routine Medical Supplies (NRS) Conversion Factor

Beginning in CY 2014, as required by section 3131(a)(1) of the Affordable Care Act, the Centers for Medicare & Medicaid Services (CMS), in their Final Rule published December 2, 2013, rebased the national, standardized 60-day episode payment amount, the national per-visit rates, and the NRS conversion factor. The rebasing adjustments will continue through CY 2017. For CY 2016 the rebasing adjustment is \$80.95

### National 60-Day Episode Payment Amounts - CY 2016

In order to calculate the CY 2016 national standardized 60-day episode, the CY 2015 estimated average payment per 60-day episode of \$2,961.38 is adjusted by the wage-index budget neutrality factor, a case-mix weights budget neutrality factor, an adjustment for nominal case-mix growth, the rebasing adjustment, and the home health market basket update, as reflected in [Figure 12.K-2016-1](#).

**FIGURE 12.K-2016-1 CY 2016 NATIONAL STANDARDIZED 60-DAY EPISODE PAYMENT AMOUNTS**

CY 2015 National Standardized 60-Day Episode Payment	Wage Index Budget Neutrality Factor	Case-Mix Weights Budget Neutrality Factor	Nominal Case-Mix Growth Adjustment	CY 2016 Rebasing Adjustment	CY 2015 HH Payment Update Percentage	CY 2016 National, Standardized 60-Day Episode Payment
\$2,961.38	x 1.0011	x 1.0187	x0.9903	- \$80.95	x 1.019	= \$2,965.12

**National Per-Visit Amounts Used to Pay Low Utilization Payment Adjustments (LUPAs) and Compute Costs of Outlier - CY 2016**

To calculate the CY 2016 national per-visit rates, the 2015 national per-visit rates are adjusted by a wage index budget neutrality factor, and are then increased by the rebasing adjustments described in the December 2, 2013, CMS Final Rule. Finally, the rates are updated by the CY 2016 HH market basket update. National per-visit rates are not subjected to the nominal increase in case-mix. The final updated CY 2016 national per-visit rates per discipline are reflected in [Figure 12.K-2016-2](#):

**FIGURE 12.K-2016-2 CY 2016 NATIONAL PER-VISIT PAYMENT AMOUNTS FOR HHAs**

HH Discipline Type	CY 2015 Per-Visit Payment	Wage Index Budget Neutrality Factor	CY 2016 Rebasing Adjustment	CY 2016 HH Payment Update Percentage	CY 2016 Per-Visit Payment
HH Aide	\$57.89	x 1.0010	+ \$1.79	x 1.019	\$60.87
Medical Social Services (MSS)	204.91	x 1.0010	+ 6.34	x 1.019	215.47
Occupational Therapy (OT)	140.70	x 1.0010	+ 4.35	x 1.019	147.95
Physical Therapy (PT)	139.75	x 1.0010	+ 4.32	x 1.019	146.95
Skilled Nursing (SN)	127.83	x 1.0010	+ 3.96	x 1.019	134.42
Speech-Language Pathology (SLP)	151.88	x 1.0010	+ 4.70	x 1.019	159.71

**Payment of LUPA Episodes**

For CY 2016, as described in the December 2, 2013, CMS Final Rule, the per-visit payment amount for the first SN, PT, and SLP visit in LUPA episodes that occur as the only episode or an initial episode in a sequence of adjacent episodes is multiplied by the LUPA add-on factors, which are: 1.8451 for SN; 1.6700 for PT; and 1.6266 for SLP

**NRS Conversion Factor Update**

Payments for the NRS are computed by multiplying the relative weight for a particular severity level by the NRS conversion factor. For CY 2016, the 2015 NRS conversion factor was adjusted using the 2.82 rebasing adjustment factor, as described in the December 2, 2013, CMS Final Rule, and then updated by the CY 2016 HH market basket. See [Figure 12.K-2016-3](#).

**FIGURE 12.K-2016-3 CY 2016 NRS CONVERSION FACTOR**

CY 2015 NRS Conversion Factor	CY 2016 Rebasing Adjustment	CY 2016 HH Payment Update Percentage	CY 2016 NRS Conversion Factor
\$53.23	x 0.9718	x 1.019	= \$52.71

## TRICARE Reimbursement Manual 6010.61-M, April 1, 2015

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The payment amounts, using the above computed CY 2016 NRS conversion factor (\$52.71), for the various severity levels based on the updated conversion factor are calculated in [Figure 12.K-2016-4](#).

**FIGURE 12.K-2016-4 CY 2016 NRS CONVERSION FACTOR**

Severity Level	Points (Scoring)	Relative Weight	CY 2015 NRS Payment Amounts
1	0	0.2698	\$14.22
2	1 to 14	0.9742	51.35
3	15 to 27	2.6712	140.80
4	28 to 48	3.9686	209.18
5	49 to 98	6.1198	322.57
6	99+	10.5254	554.79

### Labor And Non-Labor Percentages

For CY 2016, the labor percent is 78.535%, and the non-labor percent is 21.465%.

### Outlier Payments

Under the HHA PPS, outlier payments are made for episodes for which the estimated cost exceeds a threshold amount. The wage adjusted Fixed Dollar Loss (FDL) amount represents the amount of loss that an agency must bear before an episode becomes eligible for outlier payments. The FDL ratio, which is used in calculating the FDL amount, for CY 2016 is 0.45.

### Outcome and Assessment Information Set (OASIS)

HHAs must collect OASIS data in order to participate in the TRICARE program. See [Addendum G](#) for the OASIS.

### Temporary 3% Rural Add-On for the HHA PPS

Section 421(a) of the Medicare Prescription Drug, Improvement, and Modernization Act (MMA) of 2003 (Public Law 108-173, enacted on December 8, 2003, and as amended by Section 3131(c) of the Affordable Care Act) provides an increase of 3% of the payment amount otherwise made under Section 1895 of the Social Security Act for HH services furnished in a rural area (as defined in Section 1886(d)(2)(D) of the Social Security Act), for episodes and visits ending on or after April 1, 2010, and before January 1, 2018. The 3% rural add-on is applied to the national standardized 60-day episode rate, the national per-visit rates, the LUPA add-on payment amount, and the NRS conversion factor when HH services are provided in rural (non-Core Based Statistical Area (CBSA)) areas. The applicable case-mix and wage index adjustments are subsequently applied. Episodes that qualify for the 3% rural add-on will be identified by a CBSA code that begins with '999'.

### National 60-Day Episode Payment Amounts for Rural, Non-CBSA Areas

In order to calculate the national standardized 60-day episode payment for beneficiaries residing in a rural area, the CY 2016 national standardized 60-day episode payment of \$2,965.12 was increased by 3% to \$3,054.07.

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**Per-Visit Amounts For Services Provided In A Rural Area, Before Wage Index Adjustment**

The CY 2016 national per-visit amounts were increased by 3% for beneficiaries who reside in rural areas. See [Figure 12.K-2016-5](#).

**FIGURE 12.K-2016-5 CY 2016 PER-VISIT AMOUNTS FOR SERVICES PROVIDED IN A RURAL AREA**

HH Discipline Type	CY 2016 Per-Visit Rate	Multiplied by the 3% Rural Add-On	CY 2016 Rural Per-Visit Rate
HH Aide	\$60.87	x 1.03	\$62.70
MSS	215.47	x 1.03	221.93
OT	147.95	x 1.03	152.39
PT	146.95	x 1.03	151.36
SN	134.42	x 1.03	138.45
SLP	159.71	x 1.03	164.50

**CY 2016 NRS Conversion Factor For Services Provided In A Rural Area**

The CY 2015 NRS Conversion Factor was multiplied by the 3% rural add-on to result in a NRS Conversion Factor of \$54.29 for CY 2016.

**CY 2016 NRS Payment Amounts For Services Provided In A Rural Area**

The CY 2016 NRS payment amounts for services provided in rural areas are summarized in [Figure 12.K-2016-6](#).

**FIGURE 12.K-2016-6 CY 2015 RELATIVE WEIGHTS FOR THE SIX-SEVERITY NRS SYSTEM FOR BENEFICIARIES RESIDING IN A RURAL AREA**

Severity Level	Points (Scoring)	Relative Weight	Total NRS Payment Amount For Rural Areas
1	0	0.2698	\$14.65
2	1 to 14	0.9742	52.89
3	15 to 27	2.6712	145.02
4	28 to 48	3.9686	215.46
5	49 to 98	6.1198	332.24
6	99+	10.5254	571.42

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