

Annual Home Health Agency Prospective Payment System (HHA PPS) Rate Updates - CY 2014

(Final payment amounts per 60-day episodes ending on or after January 1, 2014 and before January 1, 2015 - Continuing Calendar Year (CY) update.)

Home Health Agency Prospective Payment System (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 Calendar Year (CY) 2014 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

For 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 occur over the next four years. See [Figure 12.L.2014-1](#).

FIGURE 12.L.2014-1 2013 ESTIMATED AVERAGE PAYMENT PER EPISODE

CY 2012 National, Standardized 60-day Episode Payment Rate	Budget Neutrality Factor to Account for Case-Mix Weigh Adjustment to 1.000	CY 2013 Payment Reduction for Nominal Case-Mix Growth	CY 2013 HH Payment Update Percentage	Outlier Adjustment	CY 2013 Estimated Average Payment Per Episode
\$2,138.52	x 1.3464	x 0.9868	x 1.013	÷ 0.975	= \$2,952.03

National 60-Day Episode Payment Amounts - CY 2014

As described in the December 2, 2013 CMS Final Rule, in order to calculate the CY 2014 national standardized 60-day episode, the CY 2013 estimated average payment per 60-day episode payment of \$2,952.03 is adjusted for the 2.5% outlier payments, and is then adjusted for the standardization factor. Then the CY 2014 rebasing adjustment of \$80.95 is applied, and finally the payment is updated by the CY 2014 HH market basket update. See [Figure 12.L.2014-2](#).

FIGURE 12.L.2014-2 CY 2014 NATIONAL 60-DAY EPISODE PAYMENT AMOUNTS

CY 2013 Estimated Average Payment Per Episode	Outlier Adjustment Factor	Standardization Factor	CY 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

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National Per-Visit Amounts Used to Pay Low Utilization Payment Adjustments (LUPAs) and Compute Costs of Outlier - CY 2014

To calculate the CY 2014 national per-visit rates, the 2013 national per-visit rates are adjusted by a wage index budget neutrality factor, and are then increased by the maximum rebasing adjustments described in the December 2, 2013 CMS Final Rule. Finally, the rates are updated by the CY 2014 HH market basket update. National per-visit rates are not subjected to the nominal increase in case-mix. The final updated CY 2014 national per-visit rates per discipline are reflected in [Figure 12.L.2014-3](#):

FIGURE 12.L.2014-3 CY 2014 NATIONAL PER-VISIT PAYMENT AMOUNTS

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

Payment of LUPA Episodes

Payment for LUPA episodes changed in CY 2008 in that for LUPAs that occur as initial episodes in a sequence of adjacent episodes or as the only episode, an additional payment amount is added to the LUPA payment. The [Figure 12.L.2014-3](#) per-visit rates noted above are before that additional payment is added to the LUPA payment, and are the per-visit rates paid to all other LUPA episodes and used in computing outlier payments. LUPA episodes that occur as the only episode or initial episode in a sequence of adjacent episodes are adjusted by adding an additional amount to the LUPA payment before adjusting for wage index.

For CY 2014, as described in the December 2, 2013 CMS Final Rule, in lieu of a single LUPA add-on payment amount (calculated as \$99.89), to ensure that the LUPA add-on amount equitably reflects the excess cost for an initial visit for each of the three disciplines (SN, PT, and SLP), 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 one plus the proportional increase in minutes for an initial visit over non-initial visits. The LUPA add-on factors are calculated to be: 1.8451 for SN; 1.6700 for PT; and 1.6266 for SLP.

Severity NRS System

Beginning in CY 2008, to ensure that the variation in NRS is more appropriately reflected in the HHA PPS, the original portion (\$49.62) of the HHA PPS base rate that accounted for NRS, was replaced with a system that pays for NRS based on six severity groups. Payments for the NRS are computed by multiplying the relative weight for a particular severity level by the NRS conversion factor. For CY 2014, the 2013 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 HH market basket. See [Figure 12.L.2014-4](#).

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FIGURE 12.L.2014-4 CY 2014 NRS CONVERSION FACTOR

CY 2013 NRS Conversion Factor	CY 2014 Rebasing Adjustment	CY 2014 HH Market Basket Update	CY 2014 NRS Conversion Factor
\$53.97	x 0.9718	x 1.023	= \$53.65

The payment amounts, using the above computed CY 2014 NRS conversion factor (\$53.65), for the various severity levels based on the updated conversion factor are calculated in [Figure 12.L.2014-5](#).

FIGURE 12.L.2014-5 CY 2014 NRS PAYMENT AMOUNTS

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

Labor And Non-Labor Percentages

For CY 2014, 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 2014 is 0.45.

Outcome and Assessment Information Set (OASIS)

OASIS-C is a modification to the OASIS that HHAs must collect in order to participate in the TRICARE program. Implementation of OASIS-C is required effective January 1, 2010.

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, 2016. 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'.

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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 2014 national standardized 60-day episode payment of \$2,869.27 was increased by 3%. See [Figure 12.L.2014-6](#).

FIGURE 12.L.2014-6 CY 2014 PAYMENT AMOUNTS FOR SERVICES PROVIDED IN A RURAL AREA, BEFORE CASE-MIX ADJUSTMENT AND WAGE INDEX ADJUSTMENT

CY 2014 National, Standardized 60-Day Episode Payment Rate	Multiplied by the 3% Rural Add-On	CY 2014 Rural National, Standardized 60-Day Episode Payment Rate
\$2,869.27	x 1.03	\$2,955.35

CY 2014 Per-Visit Amounts For Services Provided In A Rural Area, Before Wage Index Adjustment

The CY 2014 national per-visit amounts were increased by 3% for beneficiaries who reside in rural areas. See [Figure 12.L.2014-7](#).

FIGURE 12.L.2014-7 CY 2014 PER-VISIT AMOUNTS FOR SERVICES PROVIDED IN A RURAL AREA, BEFORE WAGE INDEX ADJUSTMENT

HH Discipline Type	CY 2014 Per-Visit Rate	Multiplied by the 3% Rural Add-On	CY 2014 Rural Per-Visit Rate
HH Aide	\$54.84	x 1.03	\$56.49
MSS	194.12	x 1.03	199.94
OT	133.30	x 1.03	137.30
PT	132.40	x 1.03	136.37
SN	121.10	x 1.03	124.73
SLP	143.88	x 1.03	148.20

Payment for NRS

Payments for NRS are computed by multiplying the relative weight for a particular severity level by the NRS conversion factor. The NRS conversion factor for CY 2014 payments was increased by 3% for beneficiaries who reside in rural areas.

FIGURE 12.L.2014-8 CY 2014 NRS CONVERSION FACTOR FOR BENEFICIARIES WHO RESIDE IN A RURAL AREA

CY 2014 NRS Conversion Factor	Multiplied by the 3% Rural Add-On	CY 2014 Rural Conversion Factor
\$53.65	x 1.03	\$55.26

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FIGURE 12.L.2014-9 CY 2014 RELATIVE WEIGHTS FOR THE SIX-SEVERITY NRS SYSTEM FOR BENEFICIARIES RESIDING IN A RURAL AREA

Severity Level	Points (Scoring)	For HHAs that DO submit quality data (CY 2014 NRS Conversion Factor = \$5526)	
		Relative Weight	Total NRS Payment Amount For Rural Areas
1	0	0.2698	\$14.91
2	1 to 14	0.9742	53.83
3	15 to 27	2.6712	147.61
4	28 to 48	3.9686	219.30
5	49 to 98	6.1198	338.18
6	99+	10.5254	581.63

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