

## Chapter 12

## Addendum K (CY 2017)

# Annual Home Health Agency Prospective Payment System (HHA PPS) Rate Updates - CY 2017

Revision: C-3, June 30, 2017

(Final payment amounts per 60-day episodes ending on or after January 1, 2017, and before January 1, 2018 - 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 CY 2017 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), and described 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. 2017 is the final year of the rebasing adjustment. For CY 2017 the rebasing adjustment is \$80.95.

### National 60-Day Episode Payment Amounts - CY 2017

In order to calculate the CY 2017 national standardized 60-day episode, the CY 2016 estimated average payment per 60-day episode of \$2,965.12 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.2017-1](#).

**FIGURE 12.K.2017-1 CY 2017 NATIONAL STANDARDIZED 60-DAY EPISODE PAYMENT AMOUNTS**

CY 2017 National Standardized 60-Day Episode Payment	Wage Index Budget Neutrality Factor	Case-Mix Weights Budget Neutrality Factor	Nominal Case-Mix Growth Adjustment	CY 2017 Rebasing Adjustment	CY 2017 HH Payment Update Percentage	CY 2017 National, Standardized 60-Day Episode Payment
\$2,965.12	x 0.9996	x 1.0214	x0.9903	- \$80.95	x 1.025	= \$2,989.97

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

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## Annual Home Health Agency Prospective Payment System (HHA PPS) Rate Updates - CY 2017

**National Per-Visit Amounts Used to Pay Low Utilization Payment Adjustments (LUPAs) and Compute Costs of Outlier - CY 2017**

To calculate the CY 2017 national per-visit rates, the 2016 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 2017 HH market basket update. National per-visit rates are not subjected to the nominal increase in case-mix. The final updated CY 2017 national per-visit rates per discipline are reflected in [Figure 12.K.2017-2](#):

**FIGURE 12.K.2017-2 CY 2017 NATIONAL PER-VISIT PAYMENT AMOUNTS FOR HHAs**

HH Discipline Type	CY 2016 Per-Visit Payment	Wage Index Budget Neutrality Factor	CY 2017 Rebasing Adjustment	CY 2017 HH Payment Update Percentage	CY 2017 Per-Visit Payment
HH Aide	\$60.87	x 1.0000	+ \$1.79	x 1.025	\$64.23
Medical Social Services (MSS)	215.47	x 1.0000	+ 6.34	x 1.025	227.36
Occupational Therapy (OT)	147.95	x 1.0000	+ 4.35	x 1.025	156.11
Physical Therapy (PT)	146.95	x 1.0000	+ 4.32	x 1.025	155.05
Skilled Nursing (SN)	134.42	x 1.0000	+ 3.96	x 1.025	141.84
Speech-Language Pathology (SLP)	159.41	x 1.0000	+ 4.70	x 1.025	168.52

**Payment of LUPA Episodes**

For CY 2017, 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 2017, the 2016 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 2017 HH market basket. See [Figure 12.K.2017-3](#).

**FIGURE 12.K.2017-3 CY 2017 NRS CONVERSION FACTOR**

CY 2016 NRS Conversion Factor	CY 2017 Rebasing Adjustment	CY 2017 HH Payment Update Percentage	CY 2017 NRS Conversion Factor
\$52.71	x 0.9718	x 1.025	= \$52.50

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

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## Annual Home Health Agency Prospective Payment System (HHA PPS) Rate Updates - CY 2017

The payment amounts, using the above computed CY 2017 NRS conversion factor (\$52.50), for the various severity levels based on the updated conversion factor are calculated in [Figure 12.K.2017-3](#).

**FIGURE 12.K.2017-4 CY 2017 RELATIVE WEIGHTS FOR THE SIX-SEVERITY NRS SYSTEM**

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

**Labor And Non-Labor Percentages**

For CY 2017, 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 2017 is 0.55.

Effective January 1, 2017, the methodology to calculate the outlier payment will utilize a cost-per-unit approach rather than a cost-per-visit approach. The national per-visit rates are converted into per 15 minute unit rates. The per-unit rate by discipline will be used along with the visit length data reported on the home health claim to calculate the estimated cost of an episode to determine whether the claim will receive an outlier payment and the amount of payment for an episode of care.

**FIGURE 12.K.2017-5 CY 2017 COST-PER-UNIT PAYMENT RATES FOR THE CALCULATION OF OUTLIER PAYMENTS**

Visit Type	CY 2017 National Per-Visit Payment Rates	Average Minutes-per-visit	Cost-per-unit (1 unit = 15 minutes)
HH aide	\$64.23	63.0	\$15.29
MSS	227.36	56.5	60.36
OT	156.11	47.1	49.72
PT	155.05	46.6	49.91
SN	141.84	44.8	47.49
SLP	168.52	48.1	52.55

**Outcome and Assessment Information Set (OASIS)**

HHAs must collect OASIS data in order to participate in the TRICARE program. See [Addendum F](#) 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 2017 national standardized 60-day episode payment of \$2,989.97 was increased by 3% to \$3,079.67.

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

The CY 2017 national per-visit amounts were increased by 3% for beneficiaries who reside in rural areas. See [Figure 12.K.2017-6](#).

**FIGURE 12.K.2017-6 CY 2017 PER-VISIT AMOUNTS FOR SERVICES PROVIDED IN A RURAL AREA**

HH Discipline Type	CY 2017 Per-Visit Rate	Multiplied by the 3% Rural Add-On	CY 2017 Rural Per-Visit Rate
HH Aide	\$64.23	x 1.03	\$66.16
MSS	227.36	x 1.03	234.18
OT	156.11	x 1.03	160.79
PT	155.05	x 1.03	159.70
SN	141.84	x 1.03	146.10
SLP	168.52	x 1.03	173.58

**CY 2017 NRS Conversion Factor For Services Provided In A Rural Area**

The CY 2017 NRS Conversion Factor was multiplied by the 3% rural add-on to result in a NRS Conversion Factor of \$54.08 for CY 2017.

**CY 2017 NRS Payment Amounts For Services Provided In Rural Areas**

The CY 2017 NRS payment amounts for services provided in rural areas are summarized in [Figure 12.K.2017-7](#):

**FIGURE 12.K.2017-7 CY 2017 RELATIVE WEIGHTS FOR THE SIX-SEVERITY NRS SYSTEM FOR BENEFICIARIES RESIDING IN A RURAL AREA**

Severity Level	Points (Scoring)	Relative Weight	CY 2017 NRS Payment Amounts
1	0	0.2698	\$14.59
2	1 to 14	0.9742	52.68
3	15 to 27	2.6712	144.46
4	28 to 48	3.9686	214.62
5	49 to 98	6.1198	330.96
6	99+	10.5254	569.21

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