Chapter 12 Section 4

Home Health Benefit Coverage And Reimbursement - Prospective Payment Methodology

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1.0 APPLICABILITY

This policy is mandatory for the reimbursement of services provided either by network or non-network providers. However, alternative network reimbursement methodologies are permitted when approved by the TRICARE Management Activity (TMA) and specifically included in the network provider agreement.

2.0 ISSUE

To describe the payment methodology for services rendered to a TRICARE eligible beneficiary under a home health Plan Of Care (POC) established by a physician.

3.0 POLICY

3.1 General Overview

3.1.1 Under the new Prospective Payment System (PPS), TRICARE will reimburse Home Health Agencies (HHAs) a fixed case-mix and wage-adjusted 60-day episode payment amount for professional home health services, along with routine and Non-Routine (medical) Supplies (NRS) provided under the beneficiary's POC. Durable Medical Equipment (DME) orthotics, prosthetics, certain vaccines, injectable osteoporosis drugs, ambulance services operated by the HHA and other drugs and biologicals administered by other than oral method will be allowed outside the bundled Episode Of Care (EOC) payment rates.

3.1.2 The variation in reimbursement among beneficiaries receiving Home Health Care (HHC) under this newly adopted PPS will be dependent on the severity of the beneficiary's condition and expected resource consumption over a 60-day EOC, with special reimbursement provisions for major intervening events, Significant Changes In Condition (SCIC), and low or high resource utilization. The resource consumption of these beneficiaries will be assessed using Outcome and Assessment Information Set (OASIS) selected data elements. The score values obtained from these selected data elements will be used to classify home health beneficiaries into one of the Home Health Resource Groups (HHRGs) groups, based on their average expected resource costs relative to other HHC patients.

3.1.3 The HHRG classification determines the cost weight; i.e., the appropriate case-mix weight adjustment factor that indicates the relative resources used and costliness of treating different patients. The cost weight for a particular HHRG is then multiplied by a standard average prospective payment amount for a 60-day episode of HHC. The case-mix adjusted standard prospective payment amount is then adjusted to reflect the geographic variation in wages to come up with the final HHA payment amount. Examples of the above calculations will be provided below in order to get a better understanding of the HHA PPS being adopted in this rule, along with the home health benefit structure and applicable reporting requirements.

3.2 Episodes Of Care (EOCs)

3.2.1 The ordinary unit of payment is based on an authorized 60-day EOC. This episode spans a 60-day period which begins with the start of care date (i.e., with the first billable service date) furnished to a beneficiary and ending 60 days later. Payment covers the entire EOC regardless of the number of days of care actually provided during the 60-day period. The only exceptions to this standard payment period are when the following conditions exist: 1) Partial Episode Payment (PEP) adjustment; 2) SCIC adjustment for episodes beginning prior to January 1, 2008; 3) Low Utilization Payment Adjustment (LUPA); 4) additional outlier payment; or 5) medical review determination. There is also downward adjustment in those situations in which the number of therapy services delivered during an episode beginning prior to January 1, 2008, does not meet the anticipated 10 therapy visits threshold. Reduced or additional amounts will be paid under the above situations.

3.2.2 If the beneficiary is still in treatment at the end of the initial 60-day EOC, a decision has to be made regarding recertification for another 60-day EOC; i.e., a physician must certify that the beneficiary is correctly assigned to one of the HHRGs. If the decision is to recertify, a new episode will begin on Day 61 regardless of whether a billable visit is rendered on that day, and ends 60 days later. The HHA will be required to obtain an authorization for the new episode. This pattern would continue (the next episode would start on the 121st day, the next on the 181st day, etc.) as long as the beneficiary was receiving services under a HHA's POC. Extension of the HHA benefit beyond the 60th day will require the HHA to fill out a new assessment (OASIS) in order to assign an appropriate HHRG (case-mix category) for the next 60-day EOC. A revised OASIS, along with the physician's POC and certification, is required before the HHA submits a bill for the next 60-day EOC. The timely submission of this information is essential in determining whether the HHRG rate to be paid is appropriate and accurately reflects the beneficiary's clinical condition. There are currently no limits on the number of medically necessary consecutive 60-day episodes that beneficiaries may receive under the HHA PPS. Allowing multiple episodes is intended to assure continuity of care and payment.

3.2.3 Consecutive authorized episodes will be paid at the full prospective rate as long as there are no intervening events or costs which would affect overall resource utilization under the initially designated case-mix assignment.

3.2.4 More than one episode for a single beneficiary may be authorized for the same or different dates of service. This will occur particularly in situations where there is a transfer to another HHA, or discharge and readmission to the same HHA.

3.2.5 Payment will be prorated when an episode ends before the 60th day in the case of a transfer to another HHA, or in the case of a discharge and readmission within the same 60-day period. Claims for episodes may also be submitted prior to the 60th day if the beneficiary has been

discharged and treatment goals have been met, although payment will not be prorated unless more HHC is subsequently billed in the same 60-day period.

3.3 Case-Mix Adjustment

3.3.1 Elements of the Case-Mix Model

The variation in reimbursement among beneficiaries receiving HHC under this newly adopted PPS will be dependent on the severity of the beneficiary's condition and expected resource consumption over a 60-day EOC with special reimbursement provisions for major intervening events, SCICs, and low or high resource utilization. A case-mix system has been developed to measure the severity and projected resource utilization of beneficiaries receiving home health services using selected data elements off of the OASIS assessment instrument (i.e., the assessment document submitted by HHAs for reimbursement) and an additional element measuring receipt of at least 10 visits for therapy services. These key data elements are organized and assigned a score value in order to measure the impact of clinical, functional and services utilization dimensions on total resource use. The resulting summed scores are used to assign a beneficiary to a particular severity level within each of the following domains:

3.3.1.1 Clinical Severity Domain

The clinical severity domain captures significant indicators of clinical need for several OASIS items. These include patient history, sensory, integument, respiratory, elimination, and neuro/emotional/behavioral status. It includes OASIS items pertaining to the following clinical conditions and risk factors: diagnoses involving orthopedic, neurological, or diabetic conditions; therapies used at home (i.e., intravenous therapy or infusion therapy, parenteral and enteral nutrition); vision; pain frequency; pressure ulcers, stasis ulcers, burns, trauma and surgical wounds; dyspnea; urinary and bowel incontinence; bowel ostomy; and cognitive/behavioral problems, such as impaired decision making and hallucinations. The clinical severity domain has four severity levels (0-3) and takes into account the beneficiary's primary diagnosis and prevalent medical conditions.

3.3.1.2 Functional Dimension

The functional status domain is comprised of six Activities of Daily Living (ADLs) from the ADL sections of the OASIS assessment instrument. These include upper and lower body dressing, bathing, toileting, transferring, and locomotion, and consists of five severity levels (0-4).

3.3.1.3 Services Utilization Domain

The services utilization dimension has four severity levels (0-3) and includes two types of data elements. First is the patient's use of inpatient services (both inpatient and Skilled Nursing Facility (SNF)/rehabilitation stays) in the 14 days preceding admission to home care. This information is obtained from the patient history section of the OASIS. The second data element in the service utilization dimension measures home health therapy hours (physical, occupational, or speech/language) totaling eight hours (approximately 10 therapy visits) or more during the 60-day EOC. The threshold of eight hours targets additional payments for home health therapy to patients with a clear need for therapy.

3.3.1.4 Other Variables Affecting Case-Mix Adjustment

3.3.1.4.1 Diagnosis. Since home health diagnosis is generally used informally to characterize home health patients and the types of services they require, it is an important variable in the case-mix adjustment process. Since OASIS completion rules require submission of only the first three digits of the International Classification of Diseases, 9th Revision, Clinical Modification (ICD-9-CM) diagnosis code, the analysis used these categories. Since individual analysis of the 900+ codes was not practical, the diagnosis codes were grouped into Diagnostic Groups (DGs). These were based on the Quality Indicator Groups (QUIGs) that had been developed for use in monitoring HHC and outcomes with OASIS. Three of the DGs were found to be statistically significant predictors of home health resource use - Orthopedic, Neurologic, and Diabetic. A fourth category, Burn/Trauma, is not based on the QUIGs, but was subsequently added to the model to capture patients with high needs for wound care who are not otherwise captured by existing OASIS items. A listing of the ICD-9-CM codes included in each DG as a primary or secondary diagnosis is presented in Addendum H.

3.3.1.4.2 Secondary Diagnoses. The first secondary diagnosis is considered in some cases when the diagnosis of interest for case-mix purposes is a code representing manifestation of an underlying condition which is entered as the primary diagnosis.

3.3.1.4.3 Availability of Caregiver. The availability of a caregiver was excluded from the case-mix adjustment model since it was found to add little predictive insight given the variables that were already included.

3.3.1.4.4 Service Utilization Variables. It was found that patients who had a rehab or SNF discharge, as well as a hospital discharge, in the 14 days before home health admission generally had lower resource use than patients who had been in a rehab or SNF only. It was felt that those who could move from a hospital to rehab/SNF to home care in 14 days were making good progress, while those who come to home care from a longer rehab or SNF stay likely had more chronic problems, or were progressing more slowly. Thus, lack of a recent hospital discharge (blank item M0175, line 1 on the OASIS) would be a definite predictor of resource utilization.

3.3.2 Response Values, Scores and Severity Levels

3.3.2.1 OASIS Item Response Values

The OASIS contains 90 data items. OASIS items responses involve unique statements that require an objective assessment, and the number of possible responses varies by item.

3.3.2.1.1 Each of the possible responses have point values assigned to them that reflect their relationship to home health resource utilization.

3.3.2.1.2 In most of the items, several responses are grouped and assigned one value. For example, for item M0670 (Bathing), response options 2, 3, 4, or 5 (ranging from “able to bathe in shower or tub with assistance of another person” to “totally bathed by another person”) are all given a point value of 8. If the patient had been rated as independent in bathing, however, with response 0, no value is added to the score.

3.3.2.2 Point Scoring

The point values for the OASIS items within each of the three domains are summed to determine a patient's point score in each domain (clinical, functional and service utilization.) For example, if the response for each of the items listed in the Functional Domain is a 2, then the score for the domain would be calculated as follows in Figure 12.4-1.

FIGURE 12.4-1 CALCULATING DOMAIN SCORES FROM RESPONSE VALUES

M0650 / M0660	Dressing	Response 2 has a value of 4, so 4 is added to the score.
M0670	Bathing	Response 2 has a value of 8, so 8 is added to the score.
M0680	Toileting	Response 2 has a value of 3, so 3 is added to the score.
M0690	Transferring	Response 2 has a value of 6, so 6 is added to the score.
M0700	Locomotion	Response 2 has a value of 6, so 6 is added to the score.
Summing the values for the items produces a score of 27 for the function domain.		

3.3.2.3 Severity Levels.

Within each domain, the total score is assigned to a severity level. For example, a summed score of 27 in the Functional Domain, as shown above, would place a patient in the "high" (F3) functional severity level. There are four clinical severity levels, five functional severity levels, and four service utilization severity levels. The range of scoring differs for each domain, so that a score of 25 in the Clinical Domain would correspond to a moderate (C2) clinical severity level, but a score of 25 in the Functional Domain would place the patient in the high functional severity level. A patient with a score of 43 for the Clinical Domain would be placed in the high clinical (C3) severity level, while a patient with a total score of six in the Service Domain would be placed in the moderate (S2) severity level for that domain.

3.3.2.4 Grid System of OASIS Items, Values and Scoring

The following figures (Figure 12.4-2 - Figure 12.4-4) list the OASIS items used in the case-mix model, along with corresponding descriptions, values and scoring:

FIGURE 12.4-2 CLINICAL SEVERITY DOMAIN

OASIS+ ITEM	DESCRIPTION	VALUE	SEVERITY LEVELS
M0230 / M0240	Primary home care diagnosis (plus first secondary Dx ONLY for selected manifestation codes	**-credit only the single highest value:** If Orthopedic DG, add 11 to score If Diabetes DG, add 17 to score If Neurological DG, add 20 to score	Min (C)= 0-7 Low (C1)= 8-19 Mod (C2)= 20-40 High (C3)= 41+
M0250	IV/Infusion/Parenteral/Enteral Therapies	**-credit only the single highest value:** If box 1, add 14 to score If box 2, add 20 to score If box 3, add 24 to score	
M0390	Vision	If box 1 or 2, add 6 to score	
M0420	Pain	If box 2 or 3, add 5 to score	
M0440	Wound/Lesion	If box 1 and M0230 is Burn/Trauma DG, add 21 to score	

FIGURE 12.4-2 CLINICAL SEVERITY DOMAIN (CONTINUED)

OASIS+ ITEM	DESCRIPTION	VALUE	SEVERITY LEVELS
M0450	Multiple pressure ulcers	If 2 or more stage 3 or 4 pressure ulcers, add 17 to score	Min (C) = 0-7 Low (C1) = 8-19 Mod (C2) = 20-40 High (C3) = 41+
M0460	Most problematic pressure ulcer stage	If box 2, add 14 to score If box 3, add 22 to score	
M0488	Surgical wound status	If box 2, add 7 to score If box 3, add 15 to score	
M0490	Dyspnea	If box 2, 3 or 4, add 5 to score	
M0530	Urinary incontinence	If box 1 or 2, add 6 to score	
M0540	Bowel incontinence	If box 2-5, add 9 to score	
M0550	Bowel ostomy	If box 1 or 2, add 10 to score	
M0610	Behavioral problems	If box 1-6, add 3 to score	

FIGURE 12.4-3 FUNCTIONAL STATUS DOMAIN

OASIS+ ITEM	DESCRIPTION	VALUE	SEVERITY LEVELS
M0650 (current) M0660 (current)	Dressing	If M0650 = box 1, 2, or 3 / or M0660 = box 1, 2, or 3/} -> add 4 to score	Min (F0) = 0-2 Low (F1) = 3-15 Mod (F2) = 16-23 High (F3) = 24-29 Max (F4) = 30
M0670 (current)	Bathing	If box 2, 3, 4, or 5, add 8 to score	
M0680 (current)	Toileting	If box 2-4, add 3 to score	
M0690 (current)	Transferring	If box 1, add 3 to score If box 2-5, add 6 to score	
M0700 (current)	Locomotion	If box 1 or 2, add 6 to score If box 3-5, add 9 to score	

FIGURE 12.4-4 SERVICE UTILIZATION DOMAIN

OASIS+ ITEM	DESCRIPTION	VALUE	SEVERITY LEVELS
M0175 B line 1	No hospital discharge past 14 days	If box 1 is BLANK, add 1 to score	Min (S0) = 0-2 Low (S1) = 3 Mod (S2) = 4-6 High (S3) = 7
M0175 B line 2 or 3	Inpatient rehab/SNF discharge past 14 days	If box 2 or 3, add 2 to score	
M0825	Therapy threshold (10 or more therapy [PT, OT, SLP] visits during episode)	If box 1, add 4 to score	

3.3.3 Case-Mix Grouper

A case-mix grouper is used for assigning a severity level within each of the above dimensions and for classifying the beneficiary into one of 80 HHRGs. For example, the patient with high clinical severity (C3), high functional severity (F3), and moderate service utilization (S2) would be placed in the "C3F3S2" HHRG. The other HHRGs are derived in a similar manner. The HHRG indicates the extent and severity of the beneficiary's home health needs reflected in its relative case-mix weight (cost weight). The case-mix weight indicates the group's relative resource use and cost of treating different patients. The standardized prospective payment rate is multiplied by the beneficiary's assigned HHRG case-mix weight to come up with the 60-day episode payment.

3.3.4 Therapy Hours Verification

The total case-mix adjusted episode payment is based on elements of the OASIS data set, including the therapy hours or visits provided over the course of the episode. The number of therapy hours or visits projected at the start of the episode, entered in OASIS, will be confirmed by the hour or visit information submitted on the claim for the episode. Though therapy hours or visits are only adjusted with receipt of the claim at the end of the episode, both split percentage payments made for the episode are case-mixed adjusted based on Grouper software run by the HHAs, often incorporated in the HAVEN software supporting OASIS. Pricer software run by the contractors processing home health claims perform pricing, including wage index adjustments on both episode split percentage payments.

3.3.5 HHRG Updating

Since OASIS - B Supplemented - provides the core data elements necessary to classify a beneficiary into one of the 80 HHRGs, it must be updated upon: 1) start of care; 2) resumption of care after an inpatient stay; 3) follow-up or recertification for a new EOC; or 3) transfer, discharge, or death of the beneficiary. Software programs are available for coding and validating OASIS data.

3.3.6 HHRG Reporting on Claim

Home health claims submitted for payment under PPS will be required to include a code that indicates the HHRG for the episode. However, the six character HHRG label will not be entered on the claim. Instead, a five character code called a Health Insurance Prospective Payment System (HIPPS) code will be used. The HIPPS code indicates not only the HHRG to which the episode was assigned, but also which, if any, of the domains had OASIS items with missing or otherwise invalid data. HIPPS codes thus represent specific patient characteristics (or case-mix) on which TRICARE payment determinations are made. For HHAs, a specific set of these payment codes represents case-mix groups based on research into utilization and resource use patterns. They are used in association with special revenue codes used on Centers for Medicare and Medicaid Services (CMS) 1450 UB-04 claim forms for institutional providers. Attached at Addendum I is a worksheet that can be used in manually computing the HIPPS code from the original OASIS data.

3.3.6.1 Composition of HIPPS Codes for HHA PPS

3.3.6.1.1 The HIPPS Code is a distinct five position, alphanumeric code.

3.3.6.1.1.1 The first position is a fixed letter “H” to designate home health, and does not correspond to any part of HHRG coding.

3.3.6.1.1.2 The second, third, and fourth positions of the code are a one-to-one crosswalk to the three domains of the HHRG coding system. The second through fourth positions of the HHA PPS HIPPS code will only allow alphabetical characters.

3.3.6.1.1.3 The fifth position indicates which elements of the code were output from the Grouper based on complete OASIS data, or derived by the Grouper based on a system of defaults where OASIS data is incomplete. This position does not correspond to HHRGs since these codes do not differentiate payment groups depending on derived information. The fifth position will only

allow numeric characters. Codes with a fifth position value other than "1" are produced from incomplete OASIS assessments not likely to be accepted by State OASIS repositories.

3.3.6.1.1.4 The HHRG to HIPPS code crosswalk is summarized in Figure 12.4-5:

FIGURE 12.4-5 HHRG TO HIPPS CODE CROSSWALK

(CLINICAL) POSITION #2	(FUNCTIONAL) POSITION #3	(SERVICE) POSITION #4	POSITION #5	DOMAIN LEVEL
A (HHRG: C0)	E (HHRG: F0)	J (HHRG: S0)	1 = Second, third, and fourth positions computed	= Min
B (HHRG: C1)	F (HHRG: F1)	K (HHRG: S1)	2 = Second position derived	= Low
C (HHRG: C2)	G (HHRG: F2)	L (HHRG: S2)	3 = Third position derived	= Mod
D (HHRG: C3)	H (HHRG: F3)	M (HHRG: S3)	4 = Fourth position derived	= High
	I (HHRG: F4)		5 = Second and third positions derived	= Max
			6 = Third and fourth positions derived	
			7 = Second and fourth positions derived	
			8 = Second, third, and fourth positions derived	
		N through Z	9, 0 (expansion values for future use)	

3.3.6.2 The 80 HHRGs are represented in the claims system by 640 HIPPS codes - eight codes for each HHRG; but only one of the eight, with a final digit of "1", indicates a complete data set.

3.3.6.3 The eight codes of a particular HHRG have the same case-mix weight associated with them. Therefore, all eight codes for that HHRG will be priced identically by the Pricer software.

3.3.6.4 HIPPS codes created using this structure are only valid on claim lines with revenue code 023.

3.3.6.5 Examples of HIPPS Codes:

- HAEJ1 would indicate a patient whose HHRG code is minimal clinical severity, minimal functional severity, and minimal service severity. All items in all domains had valid data, so all the codes were computed.

- HCFM5 would indicate a patient whose HHRG code is moderate clinical severity, low functional severity, and high service severity, and the codes for the functional and service domains were derived because some of the items in each of those domains had responses which were invalid.

3.3.6.6 A complete list of HHRGs and corresponding HIPPS codes is presented at Addendum J.

3.4 Grouper Linkage of Assessment with Payment

3.4.1 HHAs are required to assess potential patients, and re-assess existing patients, using the OASIS tool.

3.4.2 Grouper software determines the appropriate HHRG for payment of a HHA PPS 60-day episode from the results of an OASIS submission for a beneficiary as input, or "grouped" in this software. Grouper outputs HHRGs as HIPPS coding.

3.4.3 Grouper will also output a Claims-OASIS Matching Key, linking the HIPPS code to a particular OASIS submission, and a Grouper Version Number that is not used in billing.

3.4.4 Under HHA PPS, both the HIPPS code and the Claims-OASIS Matching Key will be entered on RAPs and claims.

3.5 Refined Case-Mix Model for Home Health Episodes Beginning On or After January 1, 2008

This four equation case-mix model recognizes and differentiates payment for EOCs based on whether a patient is in what is considered to be an early (first or second episode in a sequence of adjacent episodes) or later (the third episode and beyond in a sequence of adjacent episodes) EOC as well as recognizing whether a patient was a high therapy (14 or more therapy visits) or low therapy (13 or fewer therapy visits) case. The refined case-mix model replaces the current single therapy threshold of 10 visits with three therapy thresholds (6, 14, and 20 visits) and expands the case-mix variables to include scores for certain wound and skin conditions, additional primary diagnosis groups such as pulmonary, cardiac and cancer diagnoses and certain secondary diagnoses. This methodology better accounts for the higher resource use per episode and the different relationship between clinical conditions and resource use that exists in later episodes.

3.5.1 New HIPPS Code Structure Under HH PPS Case-Mix Refinement

3.5.1.1 For HH PPS episodes beginning on or after January 1, 2008, the distinct five position alphanumeric home health HIPPS is created as follows:

- The first position is no longer a fixed value. The refined HH PPS uses a four equation case-mix model which assigns differing scores in the clinical, functional and services domains based on whether an episode is an early or later episode in a sequence of adjacent episodes. To reflect this, the first position in the HIPPS code is a numeric value that represents the grouping step that applies to the three domain scores.

- The second, third, and fourth positions of the code remain a one-to-one crosswalk to the three domains of the HHRG coding system. The second through fourth positions of the HH PPS HIPPS code will only allow alphabetical characters.

- The fifth position indicates a severity group for NRS. The HH PPS grouper software will assign each episode into one of six NRS severity levels and create the fifth position of the HIPPS code with the values S through X. If the HHA is aware that supplies were not provided during an episode, they must change this code to the corresponding number of one through six before submitting the claim.

- The first four positions of the HIPPS code submitted on the final claim must match what was on the Request for Anticipated Payment (RAP). The fifth digit may vary (i.e., where the HHA initially anticipated the use of NRS during the episode only to subsequently find out that they were not required - the supply indicator may need to be changed if no supplies were provided).

FIGURE 12.4-6 NEW HIPPS CODE STRUCTURE UNDER HH PPS CASE-MIX REFINEMENT

	POSITION #1	POSITION #2	POSITION #3	POSITION #4	POSITION #5		
	GROUPING STEP	CLINICAL DOMAIN	FUNCTION DOMAIN	SERVICE DOMAIN	SUPPLY GROUP - SUPPLIES PROVIDED	SUPPLY GROUP - SUPPLIES NOT PROVIDED	DOMAIN LEVELS
Early Episodes (First & Second)	**1** (0-13 Visits)	**A** (HHRG: C1)	**F** (HHRG: F1)	**K** (HHRG: S1)	**S** (Severity Level: 1)	**1** (Severity Level: 1)	= min
	2 (14-19 Visits)	**B** (HHRG: C2)	**G** (HHRG: F2)	**L** (HHRG: S2)	**T** (Severity Level: 2)	**2** (Severity Level: 2)	= low
Late Episodes (Third & later)	**3** (0-13 Visits)	**C** (HHRG: C3)	H (HHRG: F3)	**M** (HHRG: S3)	**U** (Severity Level: 3)	3 (Severity Level: 3)	= mod
	4 (14-19 Visits)			**N** (HHRG: S4)	**V** (Severity Level: 4)	**4** (Severity Level: 4)	= high
Early or Late Episode	**5** (20 + Visits)			**P** (HHRG: S5)	**W** (Severity Level: 5)	**5** (Severity Level: 5)	= max
					X (Severity Level: 6)	**6** (Severity Level: 6)	
	6 thru **0**	**D** thru **E**	**I** thru **J**	**Q** thru **R**	**Y** thru **Z**	**7** thru **0**	Expansion values for future use

3.5.1.2 Examples of HIPPS coding structure based on Figure 12.4-6:

- First episode, 10 therapy visits, with lowest scores in the clinical, functional and service domains and lowest supply severity level = HIPPS code 1AFKS.
- Third episode, 16 therapy visits, moderate scores in the clinical, functional and service domains and supply severity level 3 = HIPPS code 4CHMV.
- Third episode, 22 therapy visits, clinical domain score is low, function domain score is moderate, service domain score is high and supply severity level 4, but supplies were not provided due to a special circumstance = HIPPS code 5BHN4.

3.5.1.3 Each HIPPS code represents a distinct payment amount, without any duplication of payment weights across codes.

3.5.1.4 The new HIPPS coding structure has resulted in 153 case-mix groups represented by the first four positions of the code. Each of these case-mix groups can be combined with a NRS severity level, resulting in 918 HIPPS codes in all (i.e., 153 case-mix times six NRS severity levels). With two values representing supply levels (1-6 in cases where NRS's are not associated with the first four positions of the HIPPS code and S-X where they are), there are actually 1836 new HIPPS codes. Refer to Addendum J, Figure 12.J-2 (for episodes beginning on or after January 1, 2008) for a complete listing of HH PPS case-mix refined HIPPS codes (all five positions) with associated weights.

3.5.2 Constructing of HIPPS Codes from Grouping Step and Point Scores

The following scoring matrix (Figure 12.4-7) will be used in construction of the HIPPS code for payment under HH PPS:

FIGURE 12.4-7 SCORING MATRIX FOR CONSTRUCTING HIPPS CODE

		FIRST & SECOND EPISODES		THIRD + EPISODES		ALL EPISODES	HIPPS CODE		
	LEVEL	0-13 THERAPY VISITS	14-19 THERAPY VISITS	0-13 THERAPY VISITS	14-19 THERAPY VISITS	20 + THERAPY VISITS	LEVEL	HIPPS VALUES	HIPPS POSITION
Grouping Step:		**1**	**2**	**3**	**4**	**5**	**Step:**	**1-5**	1
Clinical Severity Level: (by point scores-Figure 12.4-8)	C1	0 to 4	0 to 6	0 to 2	0 to 8	0 to 7	C1	A	2
	C2	5 to 8	7 to 14	3 to 5	9 to 16	8 to 14	C2	B	
	C3	9+	15+	6+	17+	15+	C3	C	
Functional Severity Level: (by point scores-Figure 12.4-8)	F1	0 to 5	0 to 6	0 to 8	0 to 7	0 to 6	F1	F	3
	F2	6	7	9	8	7	F2	G	
	F3	7+	8+	10+	9+	8+	F3	H	
Services Utilization Level: (by number of therapy visits)	S1	0 to 5	14 to 15	0 to 5	14 to 15	20+ (1 Group)	S1	K	4
	S2	6	16 to 17	6	16 to 17		S2	L	
	S3	7 to 9	18 to 19	7 to 9	18 to 19		S3	M	
	S4	10		10			S4	N	
	S5	11 to 13		11 to 13			S5	P	
NRS - Supplies Severity Level: (by NRS point scores-Figure 12.4-9)	NRS-1	0					NRS-1	S	5
	NRS-2	1 to 14					NRS-2	T	
	NRS-3	15 to 27					NRS-3	U	
	NRS-4	28 to 48					NRS-4	V	
	NRS-5	49 to 98					NRS-5	W	
	NRS-6	99+					NRS-6	X	

Note: If an episode has 20 or more visits, the case mix points could come from the second leg if it is an early episode, and from the fourth leg if it is a later episode. The table column headers indicate that these two legs are for 14 or more therapy visits.

3.5.2.1 Case-mix adjustment variables and scores used in constructing HIPPS codes (i.e., point scoring used in Figure 12.4-6 for determining the appropriate HIPPS code for payment).

3.5.2.1.1 The point scores for clinical and functional severity levels (second and third positions of HIPPS code) are derived from Figure 12.4-8 which gives a description of each diagnosis group followed by four columns representing the four legs of the four-equation model. The diagnoses associated with each of the diagnostic categories in Figure 12.4-8 can be found in Addendum N.

FIGURE 12.4-8 CASE-MIX ADJUSTMENT VARIABLES AND SCORES

	Episode number within sequence of adjacent episodes	**1 or 2**	**1 or 2**	**3+**	**3+**
	Therapy visits	**0-13**	**14+**	**0-13**	**14+**
	EQUATION:	**1**	**2**	**3**	**4**
CLINICAL DIMENSION					
1	Primary or Other Diagnosis = Blindness/Low Vision	3	3	3	3
2	Primary or Other Diagnosis = Blood disorders	2	5		
3	Primary or Other Diagnosis = Cancer, selected benign neoplasms	4	7	3	10
4	Primary Diagnosis = Diabetes	5	12	1	8
5	Other Diagnosis = Diabetes	2	4	1	4
6	Primary or Other Diagnosis = Dysphagia **AND** Primary or Other Diagnosis = Neuro 3 - Stroke	2	6		6
7	Primary or Other Diagnosis = Dysphagia **AND** M0250 (Therapy at home) = 3 (Enteral)		6		
8	Primary or Other Diagnosis = Gastrointestinal disorders	2	6	1	4
9	Primary or Other Diagnosis = Gastrointestinal disorders **AND** M0550 (ostomy) = 1 or 2	3			
10	Primary or Other Diagnosis = Gastrointestinal disorders **AND** Primary or Other Diagnosis = Neuro 1 - Brain disorders and paralysis, OR Neuro 2 - Peripheral neurological disorders, OR Neuro 3 - Stroke, OR Neuro 4 - Multiple Sclerosis			2	
11	Primary or Other Diagnosis = Heart Disease OR Hypertension	3	7	1	8
12	Primary Diagnosis = Neuro 1 - Brain disorders and paralysis	3	8	5	8
13	Primary or Other Diagnosis = Neuro 1 - Brain disorders and paralysis **AND** M0680 (Toileting) = 2 or more	3	10	3	10
14	Primary or Other Diagnosis = Neuro 1 - Brain disorders and paralysis OR Neuro 2 - Peripheral neurological disorders **AND** M0650 or M0660 (Dressing upper or lower body) = 1, 2, or 3	2	4	2	2
15	Primary or Other Diagnosis = Neuro 3 - Stroke		1		
16	Primary or Other Diagnosis = Neuro 3 - Stroke **AND** M0650 or M0660 (Dressing upper or lower body) = 1, 2, or 3	1	3	2	8
17	Primary or Other Diagnosis = Neuro 3 - Stroke **AND** M0700 (Ambulation) = 3 or more	1	5		

FIGURE 12.4-8 CASE-MIX ADJUSTMENT VARIABLES AND SCORES (CONTINUED)

	Episode number within sequence of adjacent episodes	**1 or 2**	**1 or 2**	**3+**	**3+**
	Therapy visits	**0-13**	**14+**	**0-13**	**14+**
	EQUATION:	**1**	**2**	**3**	**4**
18	Primary or Other Diagnosis = Neuro 4 - Multiple Sclerosis **AND AT LEAST ONE OF THE FOLLOWING:** M0670 (bathing) = 2 or more **OR** M0680 (Toileting) = 2 or more **OR** M0690 (Transferring) = 2 or more **OR** M0700 (Ambulation) = 3 or more	3	3	12	18
19	Primary or Other Diagnosis = Ortho 1 - Leg Disorders or Gait Disorders **AND** M0460 (most problematic pressure ulcer stage) = 1, 2, 3 or 4	2			
20	Primary or Other Diagnosis = Ortho 1 - Leg **OR** Ortho 2 - Other orthopedic disorders **AND** M0250 (Therapy at home) = 1 (IV/Infusion) or 2 (Parenteral)	5	5		
21	Primary or Other Diagnosis = Psych 1 – Affective and other psychoses, depression	3	5	2	5
22	Primary or Other Diagnosis = Psych 2 - Degenerative and other organic psychiatric disorders	1	2		2
23	Primary or Other Diagnosis = Pulmonary disorders	1	5	1	5
24	Primary or Other Diagnosis = Pulmonary disorders **AND** M0700 (Ambulation) = 1 or more	1			
25	Primary Diagnosis = Skin 1 -Traumatic wounds, burns, and post-operative complications	10	20	8	20
26	Other Diagnosis = Skin 1 - Traumatic wounds, burns, post-operative complications	6	6	4	4
27	Primary or Other Diagnosis = Skin 1 -Traumatic wounds, burns, and post-operative complications OR Skin 2 – Ulcers and other skin conditions **AND** M0250 (Therapy at home) = 1 (IV/Infusion) or 2 (Parenteral)	2		2	
28	Primary or Other Diagnosis = Skin 2 - Ulcers and other skin conditions	6	12	5	12
29	Primary or Other Diagnosis = Tracheostomy	4	4	4	
30	Primary or Other Diagnosis = Urostomy/Cystostomy	6	23	4	23
31	M0250 (Therapy at home) = 1 (IV/Infusion) or 2 (Parenteral)	8	15	5	12
32	M0250 (Therapy at home) = 3 (Enteral)	4	12		12
33	M0390 (Vision) = 1 or more	1			1
34	M0420 (Pain) = 2 or 3	1			
35	M0450 = Two or more pressure ulcers at stage 3 or 4	3	3	5	5
36	M0460 (Most problematic pressure ulcer stage) = 1 or 2	5	11	5	11
37	M0460 (Most problematic pressure ulcer stage) = 3 or 4	16	26	12	23
38	M0476 (Stasis ulcer status) = 2	8	8	8	8

FIGURE 12.4-8 CASE-MIX ADJUSTMENT VARIABLES AND SCORES (CONTINUED)

	Episode number within sequence of adjacent episodes	**1 or 2**	**1 or 2**	**3+**	**3+**
	Therapy visits	**0-13**	**14+**	**0-13**	**14+**
	EQUATION:	**1**	**2**	**3**	**4**
39	M0476 (Stasis ulcer status) = 3	11	11	11	11
40	M0488 (Surgical wound status) = 2		2	3	
41	M0488 (Surgical wound status) = 3	4	4	4	4
42	M0490 (Dyspnea) = 2, 3, or 4	2	2		
43	M0540 (Bowel Incontinence) = 2 to 5	1	2	1	
44	M0550 (Ostomy) = 1 or 2	5	9	3	9
45	M0800 (Injectable Drug Use) = 0, 1, or 2	1	1	2	4
FUNCTIONAL DIMENSION					
46	M0650 or M0660 (Dressing upper or lower body) = 1, 2, or 3	2	4	2	2
47	M0670 (Bathing) = 2 or more	3	3	6	6
48	M0680 (Toileting) = 2 or more	2	3	2	
49	M0690 (Transferring) = 2 or more		2		
50	M0700 (Ambulation) = 1 or 2	1		1	
51	M0700 (Ambulation) = 3 or more	3	4	4	5

Notes: The data for the regression equations come from a 20% random sample of episodes from CY 2005. The sample excludes LUPA episodes, outlier episodes, and episodes with SCIC or PEP adjustments.
Points are additive; however, points may not be given for the same line item in the table more than once.
Please see Medicare Home Health Diagnosis Coding guidance at http://www.cms.hhs.gov/HomeHealthPPS/03_coding&billing.asp for definitions of primary and secondary diagnoses.

3.5.2.2 The point scores for service utilization levels (fourth position of the HIPPS code) are determined by the number of therapy visits (see Figure 12.4-7 for range of visits within each service utilization level and associated episode).

3.5.2.3 The point scores for NRS levels (fifth position of the HIPPS code) are derived from the six severity groups in Figure 12.4-9. These severity levels more accurately reflect the large variation in NRS used across all patient types.

FIGURE 12.4-9 RELATIVE WEIGHTS FOR NRS - SIX-GROUP APPROACH

SEVERITY LEVEL	POINTS (SCORING)	RELATIVE WEIGHT	PAYMENT AMOUNT
1	0	0.2698	$ 14.12
2	1 to 14	0.9742	51.00
3	15 to 27	2.6712	139.84
4	28 to 48	3.9686	207.76
5	49 to 98	6.1198	320.37
6	99+	10.5254	551.00

Note: NRS conversion factor = $52.35.

3.5.2.3.1 Figure 12.4-10 provides the case-mix variables (i.e., selected skin conditions and other clinical factors) and scores used in assigning a NRS to one of the six severity levels in Figure 12.4-9.

FIGURE 12.4-10 NRS CASE-MIX ADJUSTMENT VARIABLES AND SCORES

ITEM	DESCRIPTION	SCORE
SELECTED SKIN CONDITIONS:		
1	Primary diagnosis = Anal fissure, fistula and abscess	15
2	Other diagnosis = Anal fissure, fistula and abscess	13
3	Primary diagnosis = Cellulitis and abscess	14
4	Other diagnosis = Cellulitis and abscess	8
5	Primary diagnosis = Diabetic ulcers	20
6	Primary diagnosis = Gangrene	11
7	Other diagnosis = Gangrene	8
8	Primary diagnosis = Malignant neoplasms of skin	15
9	Other diagnosis = Malignant neoplasms of skin	4
10	Primary or Other diagnosis = Non-pressure and non-stasis ulcers	13
11	Primary diagnosis = Other infections of skin and subcutaneous tissue	16
12	Other diagnosis = Other infections of skin and subcutaneous tissue	7
13	Primary diagnosis = Post-operative Complications	23
14	Other diagnosis = Post-operative Complications	15
15	Primary diagnosis = Traumatic Wounds and Burns	19
16	Other diagnosis = Traumatic Wounds and Burns	8
17	Primary or other diagnosis = V code, Cystostomy care	16
18	Primary or other diagnosis = V code, Tracheostomy care	23
19	Primary or other diagnosis = V code, Urostomy care	24
20	OASIS M0450 = 1 or 2 pressure ulcers, stage 1	4
21	OASIS M0450 = 3+ pressure ulcers, stage 1	6
22	OASIS M0450 = 1 pressure ulcer, stage 2	14
23	OASIS M0450 = 2 pressure ulcers, stage 2	22
24	OASIS M0450 = 3 pressure ulcers, stage 2	29
25	OASIS M0450 = 4+ pressure ulcers, stage 2	35
26	OASIS M0450 = 1 pressure ulcer, stage 3	29
27	OASIS M0450 = 2 pressure ulcers, stage 3	41
28	OASIS M0450 = 3 pressure ulcers, stage 3	46
29	OASIS M0450 = 4+ pressure ulcers, stage 3	58
30	OASIS M0450 = 1 pressure ulcer, stage 4	48
31	OASIS M0450 = 2 pressure ulcers, stage 4	67
32	OASIS M0450 = 3+ pressure ulcers, stage 4	75
33	OASIS M0450e = 1 (unobserved pressure ulcer(s))	17
34	OASIS M0470 = 2 (2 stasis ulcers)	6
35	OASIS M0470 = 3 (3 stasis ulcers)	12
36	OASIS M0470 = 4 (4+ stasis ulcers)	21
37	OASIS M0474 = 1 (unobservable stasis ulcers)	9
38	OASIS M0476 = 1 (status of most problematic stasis ulcer: fully granulating)	6
39	OASIS M0476 = 2 (status of most problematic stasis ulcer: early/partial granulation)	25

FIGURE 12.4-10 NRS CASE-MIX ADJUSTMENT VARIABLES AND SCORES (CONTINUED)

ITEM	DESCRIPTION	SCORE
40	OASIS M0476 = 3 (status of most problematic stasis ulcer: not healing)	36
41	OASIS M0488 = 2 (status of most problematic surgical wound: early/partial granulation)	4
42	OASIS M0488 = 3 (status of most problematic surgical wound: not healing)	14
OTHER CLINICAL FACTORS:		
43	OASIS M0550 = 1 (ostomy not related to inpt stay/no regimen change)	27
44	OASIS M0550 = 2 (ostomy related to inpt stay/regimen change)	45
45	Any `Selected Skin Conditions` (rows 1-42 above) AND M0550 = 1 (ostomy not related to inpt stay/no regimen change)	14
46	Any `Selected Skin Conditions` (rows 1-42 above) AND M0550 = 2 (ostomy related to inpt stay/ regimen change)	11
47	OASIS M0250 (Therapy at home) = 1 (IV/Infusion)	5
48	OASIS M0520 = 2 (patient requires urinary catheter)	9
49	OASIS M0540 = 4 or 5 (bowel incontinence, daily or > daily)	10

Note: Points are additive; however, points may not be given for the same line item in the table more than once. Points are not assigned for a secondary diagnosis if points are already assigned for a primary diagnosis from the same diagnosis /condition group.
Please see Medicare Home Health Diagnosis Coding guidance at http://www.cms.hhs.gov/HomeHealthPPS/03_coding&billing.asp for definitions of primary and secondary diagnoses.

3.5.2.3.2 The supply payment amounts derived from the above severity level matrix (Figure 12.4-9) will be included in the total payment returned by the HH Pricer. It will not be reflected separately on the claim. Supply amounts will not be calculated on LUPA claims.

3.5.2.3.3 Refer to Addendum O for the ICD-9-CM diagnoses included in the diagnostic categories for the NRS case-mix adjustment model (Figure 12.4-10).

3.5.3 Adjustment of HIPPS Code for Incorrect Episode Designation

The contractors' claims processing systems will perform re-coding of claims where the HIPPS code does not reflect the correct episode using the 18-position treatment authorization code (formally known as the claim-OASIS matching key code) reported in Form Locator (FL) 63 of the UB-04 (CMS Form 1450).

3.5.3.1 Following is the new format of the treatment authorization code for episodes beginning on or after January 1, 2008:

FIGURE 12.4-11 FORMAT FOR TREATMENT AUTHORIZATION CODE

POSITION	DEFINITION	FORMAT
1-2	M0030 (Start-of-care date) - 2 digit year	99
3-4	M0030 (Start-of-care date) - alpha code for Julian date	XX
5-6	M0090 (Date assessment completed) - 2 digit year	99
7-8	M0090 (Date assessment completed) - alpha code for Julian Date	XX
9	M0100 (Reason for assessment)	9
10	M0110 (Episode Timing) - Early=1, Late=2	9

FIGURE 12.4-11 FORMAT FOR TREATMENT AUTHORIZATION CODE (CONTINUED)

POSITION	DEFINITION	FORMAT
11	Alpha code for Clinical severity points - under Equation 1	X
12	Alpha code for Functional severity points - under Equation 1	X
13	Alpha code for Clinical severity points - under Equation 2	X
14	Alpha code for Functional severity points - under Equation 2	X
15	Alpha code for Clinical severity points - under Equation 3	X
16	Alpha code for Functional severity points - under Equation 3	X
17	Alpha code for Clinical severity points - under Equation 4	X
18	Alpha code for Functional severity points - under Equation 4	X

3.5.3.1.1 The Julian dates in positions 3-4 and 7-8 are converted from three position numeric values to two position alphabetic values using the code system in Addendum P.

3.5.3.1.2 The two position numeric scores in positions 11-18 are converted to a single alphabetic code using values in Figure 12.4-12.

FIGURE 12.4-12 CONVERTING POINT VALUES TO LETTER CODES

POINTS	LETTER CODE	POINTS	LETTER CODE	POINTS	LETTER CODE	POINTS	LETTER CODE
0 or 1	A	8	H	15	O	22	V
2	B	9	I	16	P	23	W
3	C	10	J	17	Q	24	X
4	D	11	K	18	R	25	Y
5	E	12	L	19	S	26	Z
6	F	13	M	20	T		
7	G	14	N	21	U		

3.5.3.2 Figure 12.4-13 provides an example of a treatment authorization code that is created by the grouper software using the format outlined in Figure 12.4-12.

FIGURE 12.4-13 EXAMPLE OF A TREATMENT AUTHORIZATION CODE

POSITION	DEFINITION	ACTUAL VALUE	RESULTING CODE
1-2	M0030 (Start-of-care date) - two digit year	2007	07
3-4	M0030 (Start-of-care date) - alpha code for Julian date	Julian date 245	JK
5-6	M0090 (Date assessment completed) - two digit year	2008	08
7-8	M0090 (Date assessment completed) - alpha code for Julian date	Julian date 001	AA
9	M0100 (Reason for assessment)	04	4
10	M0110 (Episode Timing) - Early = 1, Late = 2	01	1
11	Clinical severity points - under Equation 1	7	G
12	Functional severity points - under Equation 1	2	B
13	Clinical severity points - under Equation 2	13	M
14	Functional severity points - under Equation 2	4	D
15	Clinical severity points - under Equation 3	3	C

FIGURE 12.4-13 EXAMPLE OF A TREATMENT AUTHORIZATION CODE (CONTINUED)

POSITION	DEFINITION	ACTUAL VALUE	RESULTING CODE
16	Functional severity points - under Equation 3	4	D
17	Clinical severity points - under Equation 4	12	L
18	Functional severity points - under Equation 4	7	G

The treatment authorization code that would appear on the claim would be, in this example: **07JK08AA41GBMDCDLG**

3.5.3.3 Episode adjustment process using authorization code.

3.5.3.3.1 Contractor claims processing systems will validate the treatment authorization code except where condition code 21 is present on the claim. If the code is validated, the contractors will return claims to the provider if the treatment authorization code fails any of the following validation edits:

- The first, second, fifth, sixth, and ninth positions of the treatment authorization codes must be numeric;
- The third, fourth, seventh, and eighth positions of the code must be alphabetic;
- The tenth position of the code must contain a value of one or two; and
- The eleventh through 18th positions of the code must be alphabetic.

3.5.3.3.2 The system shall read the home health episode history when a new episode is received and identify any HIPPS codes that represent an incorrect position in the sequence. The sequence of episodes are determined without regard to changes in the HHA. The calculated 60-day episode end date will be used to measure breaks between episodes in all cases except for episodes subject to PEP adjustments. In the case of PEP episodes, the date of latest billing will be used.

3.5.3.3.3 If the contractors' system identifies a HIPPS code that represents an incorrect position in the sequence of episodes it will be re-coded and adjusted using the last nine positions of the treatment authorization code and the following re-coding logic:

3.5.3.3.3.1 The last eight positions of the treatment authorization will contain codes representing the points for the clinical domain and the functional domain as calculated under each of the four equations of the refined HH PPS case mix system. The treatment authorization code, including these domain codes, will be calculated by the HH PPS Grouper software, so that providers can transfer this 18 position code to their claims.

3.5.3.3.3.2 The input/output record for the HH Pricer will be modified to convert existing filler fields into new fields to facilitate recording. A new nine position field will be created to carry the clinical and functional severity point information. The last nine positions of the treatment authorization code will be extracted and placed into this new field in the input/output record. This will enable the HH Pricer to record claims using the point information.

3.5.3.3.3.3 On incoming original RAPs and claims, the HH Pricer will disregard the code in this nine position field, since the submitted HIPPS code is being priced at face value. The code in this nine position field will be used in recording claims identified as misrepresenting the episode sequence. To enable the Pricer to distinguish these two cases, an additional one position numeric field will be added to the input/output record.

3.5.3.3.3.4 On the original RAPs and claims, the system will populate the new one position field with a zero.

- If a claim is submitted by the provider as a first or second episode and the claim is actually a third or later episode, the system will populate the new field with a 3 to indicate this.

- If a claim is submitted by the provider as a third or later episode and the claim is actually a first or second episode, the system will populate the new field with a 1 to indicate this.

3.5.3.3.3.5 When the new one position field is populated with a 1 or a 3, the HH Pricer will record the claim using the following steps:

Step 1: The HH Pricer will determine, from the new episode sequence and the number of therapy visits on the claim, which equation of the HH PPS case-mix model applies to the claim.

Step 2: The HH Pricer will find the two positions in the new nine position field that correspond to the equation identified in Step 1.

Step 3: The HH Pricer will convert the alphabetic codes in these positions to numeric point values.

Step 4: The HH Pricer will read the appropriate column on the case-mix scoring table to find the new clinical and functional severity levels that correspond to that point value (Figure 12.4-8).

Step 5: Using the severity levels identified in Step 4 and the HIPPS code structure shown in the above table, the HH Pricer will determine the new HIPPS code that applies to the claim.

3.5.3.3.3.6 The HH Pricer will use the new HIPPS code resulting from these steps to re-price the claim and will return the new code to the existing output HIPPS code field in the input/output record.

3.5.3.3.3.7 When the first position of the HIPPS code is a five and the number of therapy services on the claim are less than 20, the HH Pricer will use the first position of the new nine position field to record the first position of the HIPPS code and complete the steps described above.

3.5.3.4 Adjustment of previously paid episodes.

3.5.3.4.1 The contractor claims processing systems will initiate automatic adjustments for previously paid episodes when the receipt of earlier dated episodes change their position in a sequence of episodes. The system will re-code and re-price the automatic adjustments.

3.5.3.4.2 The system will calculate a supply adjustment amount and add it to the otherwise re-priced episode amount.

3.5.3.5 Determining the gap between episodes (i.e., if the episodes are adjacent/contiguous.

3.5.3.5.1 The 60-day period to determine a gap that will begin a new sequence of episodes will be counted in most instances from the calculated 60-day end date of the episode. The exception to this is for episodes that were subject to PEP adjustment.

3.5.3.5.2 In PEP cases, the system will count 60 days from the date of the last billable home health visit provided in the PEP episode.

3.5.3.5.3 Intervening stays in inpatient facilities will not create any special consideration in counting the 60-day gap.

- If an inpatient stay occurred within an episode, it would not be a part of the gap, as counting would not begin at Day 60, which in this case could be later than the inpatient discharge date.

- If an inpatient stay occurred within the period after the end of all HH episode and before the beginning of the next one, those days would be counted as part of the gap just as any other days would.

3.5.3.5.4 If episodes are received after a particular claim is paid that change the sequence initially assigned to the paid episode (for example, by service dates falling earlier than those of the paid episode, or by falling within a gap between paid episodes), the system will initiate automatic adjustments to correct the payment of any necessary episodes as described above.

3.5.3.6 Refer to Addendums R and S for changes in input/output record layout and Pricer logic for 60-day episodes beginning on or after January 1, 2008.

3.6 Abbreviated Assessments for Establishment of Payments Under HHA PPS

3.6.1 Medicare-certified HHAs will be required to conduct abbreviated assessments for TRICARE beneficiaries who are under the age of 18 or receiving maternity care for payment under the HHA PPS. This will require the manual completion and scoring of a HHRG Worksheet (refer to Addendum I for copy of worksheet). The HIPPS code generated from this scoring process will be submitted on the CMS 1450 UB-04 for pricing and payment. This abbreviated 23 item assessment (as opposed to the full 79 item comprehensive assessment) will provide the minimal amount of data necessary for reimbursement under the HHA PPS. This is preferable, from an integrity standpoint, to dummying up the missing data elements on the comprehensive assessment. HHAs will also be responsible for collecting the OASIS data element links necessary in reporting the claims-OASIS matching key (i.e., the 18 position code, containing the start of care date (eight

positions, from OASIS item M0030), the date the assessment was completed (eight-positions, from OASIS item M0090), and the reason for assessment (two positions, from OASIS item M0100). The claims-OASIS matching key is reported in FL 44 of the CMS 1450 UB-04.

3.6.2 Use of Abbreviated Assessments for Episodes Beginning On or After January 1, 2008. Abbreviated assessments will continue to be used for TRICARE beneficiaries who are under the age of 18 or receiving maternity care for payment under the HHA PPS with the following modifications:

3.6.2.1 The first position of the HIPPS code - which assigns differing scores in the clinical, functional and services domains based on whether an episode is an early or later episode in a sequence of adjacent episodes and the number of visits incurred during that episode - will be reported by the HHA in accordance with the HIPPS coding structure outlined in Figure 12.4-6 (i.e., numerical values 1 through 5 based on the EOC and number of visits).

3.6.2.2 The second, third, and fourth positions of the HIPPS code (alphabetical characters) will be assigned based on the scoring of the 23 OASIS items reflected in the HHRG Worksheet for episodes beginning on or after January 1, 2008 in Addendum I. The OASIS items for use in this abbreviated assessment scoring will be available on the CMS web site (http://www.cms.hhs.gov/HomeHealthQualityInits/) as indicated in Addendum G. However, since Clinical Severity Domain category "C0", Function Status Domain category "F0", and Service Utilization Domain category "S0" are no longer recognized as part of the refined HIPPS coding structure they will default to "C1", "F1", and "S1", respectively, in establishing reimbursement under the abbreviated assessment for TRICARE beneficiaries who are under the age of 18 or receiving maternity care.

3.6.2.3 The fifth position of the HIPPS code will be reported by the HHA using the HIPPS coding structure outlined in Figure 12.4-6 based on the EOC and number of visits, along with whether or not supplies were actually provided during the episode of HHC; i.e., 1-6 in cases where NRSs are not associated with the first four positions of the HIPPS code and S-X where they are.

3.6.2.4 A treatment authorization code will not be required for the processing and payment of home health episodes under the abbreviated assessment process. As a result, the contractors will not have the responsibility of recoding claims and/or validating the 18-position treatment authorization code that is normally required for the processing and payment of home health claims subject to the full-blown OASIS assessment.

3.6.3 The following hierarchy will be adhered to in the placement and reimbursement of home health services for TRICARE eligible beneficiaries under the age of 18 or receiving maternity care. The MCSCs will adhere to this hierarchical placement through their role in establishing primary provider status under the HHA PPS (i.e., designating that HHA which may receive payment under the consolidated billing provisions for home health services provided under a POC).

3.6.3.1 Authorization for care in and primary provider status designation for a Medicare certified HHA (i.e., in a HHA meeting all Medicare conditions of participation [Sections 1861(o) and 1891 of the Social Security Act and part 484 of the Medicare regulation (42 CFR 484)] will result in payment of home health services under the PPS. The HHA will be reimbursed a fixed case-mix and wage-adjusted 60-day episode payment amount based on the HIPPS code generated from the required abbreviated assessment. For example, if there are two HHAs within a given treatment area that can provide care for a TRICARE beneficiary under the age of 18, and one is Medicare certified and the other is not due to its targeted patient population (HHA specializing solely in the home health

needs of patients under the age of 18), the contractor will authorize care in, and designate primary provider status to, the Medicare HHA.

3.6.3.2 If a Medicare-certified HHA is not available within the service area, the MCSC may authorize care in a non-Medicare certified HHA (e.g., a HHA which has not sought Medicare certification/approval due to the specialized beneficiary categories it services - patients receiving maternity care and/or patients under the age 18) that qualifies for corporate services provider status under TRICARE (refer to the TRICARE Policy Manual (TPM), Chapter 11, Section 12.1, for the specific qualifying criteria for granting corporate services provider status under TRICARE.) The following payment provisions will apply to HHAs qualifying for coverage under the corporate services provider class:

3.6.3.2.1 Otherwise covered professional services provided by TRICARE authorized individual providers employed by or under contract with a freestanding corporate entity will be paid under the TRICARE Maximum Allowable Charge (TMAC) reimbursement system, subject to any restrictions and limitations as may be prescribed under existing TRICARE policy.

3.6.3.2.2 Payment will also be allowed for supplies used by a TRICARE authorized individual provider employed by or contracted with a corporate services provider in the direct treatment of a TRICARE eligible beneficiary. Allowable supplies will be reimbursed in accordance with TRICARE allowable charge methodology as described in Chapter 5.

3.6.3.2.3 Reimbursement of covered professional services and supplies will be made directly to the TRICARE authorized corporate services provider under its own tax identification number.

3.6.3.2.4 There are also regulatory and contractual provisions currently in place that grant contractors the authority to establish alternative network reimbursement systems as long as they do not exceed what would have otherwise been allowed under Standard TRICARE payment methodologies.

3.7 Split Payments (Initial and Final Payments)

A split percentage approach has been taken in the payment of HHAs in order to minimize potential cash-flow problems.

3.7.1 A split percentage payment will be made for most episode periods. There will be two payments (initial and final) - the initial paid in response to a RAP, and the final in response to a claim. Added together, the initial and final payments equal 100% of the permissible reimbursement for the episode.

3.7.2 There will be a difference in the percentage split of initial and final payments for initial and subsequent episodes for patients in continuous care. For all initial episodes, the percentage split for the two payments will be 60% in response to the RAP, and 40% in response to the claim. For all subsequent episodes in periods of continuous care, each of the two percentage payments will equal 50% of the estimated case-mix adjusted episode payment. There is no set length required for a gap in services between episodes for a following episode to be considered initial rather than subsequent. If any gap occurs, the next episode will be considered initial for payment purposes.

3.7.3 The HHA may request and receive accelerated payment if the contractor fails to make timely payments. While a physician's signature is not required on the POC for initial payment, it is required prior to claim submission for final payment.

3.8 Calculation of Prospective Payment Amounts

3.8.1 National 60-Day Episode Payment Amounts

3.8.1.1 Medicare, in establishment of its prospective payment amount, included all costs of home health services derived from audited Medicare cost reports for a nationally representative sample of HHAs for Fiscal Year (FY) 1997. Base-year costs were adjusted using the latest available market basket increases between the cost reporting periods contained in the database and September 30, 2001. Total costs were divided by total visits in establishing an average cost per visit per discipline. The discipline specific cost per visit was then multiplied by the average number of visits per discipline provided within a 60-day EOC in the establishment of a home health prospective payment rate per discipline. The 60-day utilization rates were derived from Medicare home health claims data for FY 1997 and 1998. The prospective payment rates for all six disciplines were summed to arrive at a total non-standardized prospective payment amount per 60-day EOC.

3.8.1.2 Figure 12.4-14 provides the calculations involved in the establishment of the non-standardized prospective payment amount per 60-day episode in FY 2001, along with adjustments for NRS, Part B therapies and OASIS implementation and ongoing costs.

FIGURE 12.4-14 CALCULATION OF NATIONAL 60-DAY EPISODE PAYMENT AMOUNTS

DISCIPLINES	TOTAL COSTS	TOTAL VISITS	AVERAGE COST PER VISIT	AVER. # VISITS PER 60-DAYS	HOME HEALTH PROSPECTIVE PAYMENT RATE
Home Health Aide Services	$5,915,395,602	141,682,907	$41.75	13.40	$559.45
Medical Social Services	458,571,353	2,985,588	153.59	0.32	49.15
Occupational Therapy	444,691,130	4,244,901	104.76	0.53	55.52
Physical Therapy	2,456,109,303	23,605,011	104.05	3.05	317.35
Skilled Nursing Services	12,108,884,714	127,515,950	94.96	14.08	1,337.04
Speech Pathology Service	223,173,331	1,970,399	113.26	0.18	20.39
Total Non-Standardized Prospective Payment Amount Per 60-day Episode for FY 2001: **$2,338.90**					

ADJUSTMENTS:	
1. Average cost per episode for NRS included in the home health benefit and reported as costs on the cost report	**$43.54**
2. Average payment per episode for NRS possibly unbundled and billed separately for Part B	**$6.08**
3. Average payment per episode for Part B therapies	**$17.76**
4. Average payment per episode for OASIS one time adjustment for form changes	**$5.50**
5. Average payment per episode for ongoing OASIS adjustment costs	**$4.32**
Total Non-Standardized Prospective Payment Amount for 60-day Episode for FY 2001 Plus Medical Supplies, Part B Therapies and OASIS	**$2,416.01**

3.8.1.3 The adjusted non-standardized prospective payment amount per 60-day episode for FY 2001 was adjusted as follows in Figure 12.4-15 for case-mix, budget neutrality and outliers in the

establishment of a final standardized and budget neutral payment amount per 60-day episode for FY 2001.

FIGURE 12.4-15 STANDARDIZATION FOR CASE-MIX AND WAGE INDEX

NON-STANDARDIZED PROSPECTIVE PAYMENT AMOUNT PER 60-DAYS	STANDARDIZATION FACTOR FOR WAGE INDEX AND CASE-MIX	BUDGET NEUTRALITY FACTOR	OUTLIER ADJUSTMENT FACTOR	STANDARDIZED PROSPECTIVE PAYMENT AMOUNT PER 60-DAYS
$2,416.01	0.96184	0.88423	1.05	$2,115.30

3.8.1.3.1 The above 60-day episode payment calculations were derived using base-year costs and utilization rates and subsequently adjusted by annual inflationary update factors, the last three iterations of which can be found in Addendums L (CY 2009), L (CY 2010), and L (CY 2011).

3.8.1.3.2 The standardized prospective payment amount per 60-day EOC is case-mix and wage-adjusted in determining payment to a specific HHA for a specific beneficiary. The wage adjustment is made to the labor portion (0.77668) of the standardized prospective payment amount after being multiplied by the beneficiary's designated HHRG case-mix weight. For example, a HHA serves a TRICARE beneficiary in Denver, CO. The HHA determines the patient is in HHRG C2F1S2 with a case-mix weight of 1.8496. The following steps are used in calculating the case-mix and wage-adjusted 60-day episode payment amount:

Step 1: Multiply the standard 60-day prospective payment amount by the applicable case-mix weight.

(1.8496 x $2,115.30) = $3,912.46

Step 2: Divide the case-mix adjustment episode payment into its labor and non-labor portions.

Labor Portion = (0.77668 x $3,912.46) = $3,038.73

Non-Labor Portion = (0.22332 x $3,912.46) = $873.73

Step 3: Adjust the labor portion by multiplying by the wage index factor for Denver, CO.

(1.0190 x $3,038.73) = $3,096.47

Step 4: Add the wage-adjusted labor portion to the non-labor portion to calculate the total case-mix and wage-adjusted episode payment.

($873.73 + $3,096.47) = **$3,970.20**

3.8.1.4 Since the initial methodology used in calculating the case-mix and wage-adjusted 60-day episode payment amounts has not changed, the above example is still applicable using the updated wage indices and 60-day episode payment amounts (both the all-inclusive payment amount and per-discipline payment amount) contained in Addendums L (CY 2009), L (CY 2010), L (CY 2011), M (CY 2009), M (CY 2010), and M (CY 2011).

3.8.1.5 Annual Updating of HHA PPS Rates and Wage Indexes.

3.8.1.5.1 In subsequent fiscal years, HHA PPS rates (i.e., both the national 60-day episode amount and per-visit rates) will be increased by the applicable home health market basket index change.

3.8.1.5.2 Three iterations of these rates will be maintained in Addendums L (CY 2009), L (CY 2010), and L (CY 2011). These rate adjustments are also integral data elements used in updating the Pricer.

3.8.1.5.3 Three iterations of wage indexes will also be maintained in Addendums M (CY 2009), M (CY 2010), and M (CY 2011), for computation of individual HHA payment amounts. These hospital wage indexes will lag behind by a full year in their application.

3.8.2 Calculation of Reduced Payments

Under certain circumstances, payment will be less than the full 60-day episode rate to accommodate changes of events during the beneficiary's care. The start and end dates of each event will be used in the apportionment of the full-episode rate. These reduced payment amounts are referred to as: 1) PEP adjustments; 2) SCIC adjustments; 3) LUPAs; and 4) therapy threshold adjustments. Each of these payment reduction methodologies will be discussed in greater detail below.

Note: Since the basic methodology used in calculating HHA PPS adjustments (i.e., payment reductions for PEPs, SCICs, LUPAs, and therapy thresholds) has not changed, the following examples are still applicable using the updated wage indices and 60-day episode payment amounts in Addendums L (CY 2009), L (CY 2010), L (CY 2011), M (CY 2009), M (CY 2010), and M (CY 2011).

3.8.2.1 PEP Adjustment

The PEP adjustment is used to accommodate payment for EOCs less than 60 days resulting from one of the following intervening events: 1) beneficiary elected a transfer prior to the end of the 60-day EOC; or 2) beneficiary discharged after meeting all treatment goals in the original POC and subsequently readmitted to the same HHA before the end of the 60-day EOC. The PEP adjustment is based on the span of days over which the beneficiary received treatment prior to the intervening event; i.e., the days, including the start-of-care date/first billable service date through and including the last billable service date, before the intervening event. The original POC must be terminated with no anticipated need for additional home health services. A new 60-day EOC would have to be initiated upon return to a HHA, requiring a physician's recertification of the POC, a new OASIS assessment, and authorization by the contractor. The PEP adjustment is calculated by multiplying the proportion of the 60-day episode during which the beneficiary was receiving care prior to the intervening event by the beneficiary's assigned 60-day episode payment. The PEP adjustment is only applicable for beneficiaries having more than four billable home health visits. Transfers of beneficiaries between HHAs of common ownership are only applicable when the agencies are located in different metropolitan statistical areas. Also, PEP adjustments do not apply in situations where a patient dies during a 60-day EOC. Full episode payments are made in these particular cases. For example, a beneficiary assigned to HHRG C2F1S2 and receiving care in Denver, CO was discharged from a HHA on Day 28 of a 60-day EOC and subsequently returned to the same

HHA on Day 40. However, the first billable visit (i.e., a physician ordered visit under a new POC) did not occur until Day 42. The beneficiary met the requirements for a PEP adjustment, in that the treatment goals of the original POC were accomplished and there was no anticipated need for home care during the balance of the 60-day episode. Since the last visit was furnished on Day 28 of the initial 60-day episode, the PEP adjustment would be equal to the assigned 60-day episode payment times 28/60, representing the proportion of the 60 days that the patient was in treatment. Day 42 of the original episode becomes Day 1 of the new certified 60-day episode. The following steps are used in calculating the PEP adjustment:

Step 1: Calculate the proportion of the 60 days that the beneficiary was under treatment.

(28/60)= 0.4667

Step 2: Multiply the beneficiary assigned 60-day episode payment amount by the proportion of days that the beneficiary was under treatment.

($3,970.20 x 0.4667) = **$1,852.90**

3.8.2.2 SCIC Payment Adjustment

For Episodes Beginning On Or After January 1, 2008. The refined HH PPS no longer contains a policy to allow for adjustments reflecting SCICs. Episodes paid under the refined HH PPS will be paid based on a single HIPPS code. Claims submitted with additional HIPPS codes reflecting SCICs will be returned to the provider; i.e., claims for episodes beginning on or after January 1, 2008, that contain more than one revenue code 0023 line.

3.8.2.3 LUPA

3.8.2.3.1 For Episodes Beginning Prior To January 1, 2008

3.8.2.3.1.1 The LUPA reduces the 60-day episode payments, or PEP amounts, for those beneficiaries receiving less than five home health visits during a 60-day EOC. Payment for low-utilization episodes are made on a per-visit basis using the cost-per-visit rates by discipline calculated in Figure 12.4-1 plus additional amounts for: 1) NRS paid under a home health POC; 2) NRS possibly unbundled to Part B; 3) per-visit ongoing OASIS reporting adjustment; and 4) one-time OASIS scheduling implementation change. These cost-per-visit rates are standardized for wage index and adjusted for outliers to come up with final wage standardized and budget neutral per-visit payment amounts for 60-day episodes as reflected in Figure 12.4-16.

FIGURE 12.4-16 PER VISIT PAYMENT AMOUNTS FOR LOW-UTILIZATION PAYMENT ADJUSTMENTS

HOME HEALTH DISCIPLINE TYPE	AVERAGE COST PER VISIT				STANDARDIZATION FACTOR FOR WAGE INDEX	OUTLIER ADJUSTMENT FACTOR	PER VISIT PAYMENT AMOUNTS PER 60-DAY EPISODE FOR FY 2001
	FROM THE PPS AUDIT SAMPLE	FOR NON-ROUTINE MEDICAL SUPPLIES*	FOR ONGOING OASIS ADJUSTMENT COSTS	FOR ONE-TIME OASIS SCHEDULING CHANGE			
Home Health Aide	$41.75	$1.94	$0.12	$0.21	0.96674	1.05	$43.37

* Combined average cost per-visit amounts for NRS reported as costs on the cost report and those which could have been unbundled and billed separately to Part B.

FIGURE 12.4-16 PER VISIT PAYMENT AMOUNTS FOR LOW-UTILIZATION PAYMENT ADJUSTMENTS (CONTINUED)

HOME HEALTH DISCIPLINE TYPE	AVERAGE COST PER VISIT				STANDARDIZATION FACTOR FOR WAGE INDEX	OUTLIER ADJUSTMENT FACTOR	PER VISIT PAYMENT AMOUNTS PER 60-DAY EPISODE FOR FY 2001
	FROM THE PPS AUDIT SAMPLE	FOR NON-ROUTINE MEDICAL SUPPLIES*	FOR ONGOING OASIS ADJUSTMENT COSTS	FOR ONE-TIME OASIS SCHEDULING CHANGE			
Medical Social	153.59	1.94	0.12	0.21	0.96674	1.05	153.55
Physical Therapy	104.05	1.94	0.12	0.21	0.96674	1.05	104.74
Skilled Nursing	94.96	1.94	0.12	0.21	0.96674	1.05	95.79
Speech Pathology	113.26	1.94	0.12	0.21	0.96674	1.05	113.81
Occupational Therapy	104.76	1.94	0.12	0.21	0.96674	1.05	105.44

* Combined average cost per-visit amounts for NRS reported as costs on the cost report and those which could have been unbundled and billed separately to Part B.

3.8.2.3.1.2 The per-visit rates per discipline are wage-adjusted but not case-mix adjusted in determining the LUPA. For example, a beneficiary assigned to HHRG C2L1S2 and receiving care in a Denver, CO, HHA has one skilled nursing visit, one physical therapy visit and two home health visits. The per-visit payment amount (obtained from Figure 12.4-3) is multiplied by the number of visits for each discipline and summed to obtain an unadjusted low-utilization payment amount. This amount is then wage-adjusted to come up with the final LUPA. The following steps are used in calculating the LUPA:

Note: Since the basic methodology used in calculating HHA PPS outliers has not changed, the following example is still applicable using the updated wage indices, 60-day episode payment amounts and Fixed Dollar Loss (FDL) amounts in Addendums L (CY 2009), L (CY 2010), L (CY 2011), M (CY 2009), M (CY 2010), and M (CY 2011).

Step 1: Multiple the per-visit rate per discipline by the number of visits and add them together to get the total unadjusted low-utilization payment amount.

Skilled nursing visits	1 x $95.79	=	$ 95.79
Physical therapy visits	1 x $104.74	=	$104.74
Home health aide visits	2 x $43.37	=	$ 86.74
Total unadjusted payment amount			$287.27

Step 2: Multiply the unadjusted payment amount by its labor and non-labor related percentages to get the labor and non-labor portion of the payment amount.

Labor Portion	=	($287.27 x 0.77668)	=	$223.12
Non-Labor Portion	=	($287.27 x 0.22332)	=	$64.15

Step 3: Multiply the labor portion of the payment amount by the wage index for Denver, CO.

($223.12 x 1.0190) = $227.36

Step 4: Add the labor and non-labor portions together to arrive at the LUPA.

($227.36 + $64.15) = **$291.51**

3.8.2.3.2 For Episodes Beginning On Or After January 1, 2008

LUPA may be subject to an additional payment adjustment. If the LUPA episode is the first episode in a sequence of adjacent episodes or is the only EOC the beneficiary received and the Source of Referral and Admission or Visit Code is not "B" (Transfer From Another HHA) or "C" (Readmission to Same HHA), an additional add-on payment will be made. A lump-sum established in regulation and updated annually will be added to these claims. The additional amount for CY 2008 is $87.93.

3.8.2.4 Therapy Threshold Adjustment

3.8.2.4.1 For Episodes Beginning Prior To January 1, 2008

There is a downward adjustment in the 60-day episode payment amount if the number of therapy services delivered during an episode does not meet the threshold. The total case-mix adjusted episode payment is based on the OASIS assessment and the therapy hours provided over the course of the episode. The number of therapy hours projected on the OASIS assessment at the start of the episode, entered in OASIS, is confirmed by the visit information submitted in line-item detail on the claim for the episode. If therapy use is below the utilization threshold (i.e., the projected range of hours for physical, occupational or speech therapy combined), there is an automatic downward adjustment in the 60-day episode payment amount.

3.8.2.4.2 For Episodes Beginning On Or After January 1, 2008

3.8.2.4.2.1 The refined HH PPS adjusts Medicare payment based on whether one of three therapy thresholds (6, 14, or 20 visits) is met. As a result of these multiple thresholds, and since meeting a threshold can change the payment equation that applies to a particular episode, a simple "fallback" coding structure is no longer possible. Also, additional therapy visits may change the score in the services domain of the HIPPS code.

3.8.2.4.2.2 Due to this increased complexity of the payment system regarding therapies, the Pricer software in the claims processing system will re-code all claims based on the actual number of therapy services provided. The re-coding will be performed without regard to whether the number of therapies delivered increased or decreased compared to the number of expected therapies reported on the OASIS assessment and used to base RAP payment. As in the original HH PPS, the remittance advice will show both the HIPPS code submitted on the claim and the HIPPS code that was used for payment, so adjustments can be clearly identified.

3.8.3 Calculation of Outlier Payments

3.8.3.1 A methodology has been established under the HHA PPS to allow for outlier payments in addition to regular 60-day episode payments for beneficiaries generating excessively large

treatment costs. The outlier payments under this methodology are made for those episodes whose estimated imputed costs exceed the predetermined outlier thresholds established for each HHRG. Outlier payments are not restricted solely to standard 60-day EOC. They may also be extended for atypically costly beneficiaries who qualify for SCIC or PEP payment adjustments under the HHA PPS. The outlier threshold amount for each HHRG is calculated by adding a FDL amount, which is the same for all case-mix groups (HHRGs), to the HHRG's 60-day episode payment amount. A FDL amount is also added to the PEP and SCIC adjustment payments in the establishment of PEP and SCIC outlier thresholds.

3.8.3.2 The outlier payment amount is a proportion of the wage-adjusted estimated imputed costs beyond the wage-adjusted threshold. The loss-sharing ratio is the proportion of additional costs paid as an outlier payment. The loss-sharing ratio, along with the FDL amount, is used to constrain outlier costs to five percent of total episode payments. The estimated imputed costs are derived from those home health visits actually ordered and received during the 60-day episode. The total visits per discipline are multiplied by their national average per-visit amounts (refer to Figure 12.4-4 for the calculation of national average per-visit amounts) and are wage-adjusted. The wage-adjusted imputed costs for each discipline are summed to get the total estimated wage-adjusted imputed costs for the 60-day EOCs. The outlier threshold is then subtracted from the total wage-adjusted imputed per visit costs for the 60-day episode to come up with the imputed costs in excess of the outlier threshold. The amount in excess of the outlier threshold is multiplied by 80% (i.e., the loss share ratio) to obtain the outlier payment. The HHA receives both the 60-day episode and outlier payment. For example, a beneficiary assigned to HHRG C2L2S2 [case-mix weight of 1.9532 and receiving HHA care in Missoula, MT (wage index of 0.9086)], has physician orders for and received 54 skilled nursing visits, 48 home health aide visits, and six physical therapy visits. The following steps are used in calculating the outlier payment:

3.8.3.2.1 Calculation of Case-Mix and Wage-Adjusted Episode Payment

Step 1: Multiply the case-mix weight for HHRG C2L2S2 by the standard 60-day prospective episode payment amount.

(1.9532 x $2,115.30) = $4,131.60

Step 2: Divide the case-mix-adjusted episode payment amount into its labor and non-labor portions.

Labor Portion = (0.77668 x $4,131.60) = $3,208.93
Non-Labor Portion = (0.22332 x $4,131.60) = $922.67

Step 3: Multiply the labor portion of the case-mix adjusted episode payment by the wage index factor for Missoula, MT.

(0.9086 x $3,208.93) = $2,915.63

Step 4: Add the wage-adjusted labor portion to the non-labor portion to get the total case-mix and wage-adjusted 60-day episode payment amount.

($2,915.63 + $922.67) = **$3,838.30**

3.8.3.2.2 Calculation of the Wage-Adjusted Outlier Threshold

Step 1: Multiply the 60-day episode payment amount by the FDL ratio (1.13) to come up with the FDL amount.

($2,115.30 x 1.13) = $2,390.29

Step 2: Divide the FDL amount into its labor and non-labor portions.

Labor Portion	=	(0.77668 x $2,390.29)	=	$1,856.49
Non-Labor Portion	=	(0.22332 x $2,390.29)	=	$533.80

Step 3: Multiply the labor portion of the FDL amount by the wage index for Missoula, MT (0.9086).

(0.9086 x $1,856.49) = $1,686.81

Step 4: Add back the non-labor portion to the wage-adjusted labor portion to get the total wage-adjusted FDL amount.

($1,686.81 + $533.80) = $2,220.61

Step 5: Add the case-mix and wage-adjusted 60-day episode payment amount to the wage-adjusted fixed dollar amount to obtain the wage-adjusted outlier threshold.

($3,838.30 + $2,220.61) = **$6,058.91**

3.8.3.2.3 Calculation of Wage-Adjusted Imputed Cost of 60-Day Episode

Step 1: Multiply the total number of visits by the national average cost per visit for each discipline to arrive at the imputed costs per discipline over the 60-day episode.

Skilled Nursing Visits	(54 x $95.79)	=	$5,172.66
Home Health Aide Visits	(48 x $43.37)	=	$2,081.76
Physical Therapy Visits	(6 x $104.74)	=	$628.44

Step 2: Calculate the wage-adjusted imputed costs by dividing the total imputed cost per discipline into their labor and non-labor portions and multiplying the labor portions by the wage index for Missoula, MT (0.9086) and adding back the non-labor portions to arrive at the total wage-adjusted imputed costs per discipline.

1. Skilled Nursing Visits

- Divide total imputed costs into their labor and non-labor portions.

Labor Portion	=	(0.77668 x $5,172.66)	=	$4,017.50
Non-Labor Portion	=	(0.22332 x $5,172.66)	=	$1,155.16

- Wage-adjusted labor portion of imputed costs.

  ($4,017.50 x 0.9086) = $3,650.30

- Add back non-labor portion to wage-adjusted labor portion of imputed costs to come up with the total wage-adjusted imputed costs for skilled nursing visits.

  ($3,650.30 + $1,155.16) = $4,805.46

2. Home Health Aide Visits

- Divide total imputed costs into their labor and non-labor portions.

Labor Portion	=	(0.77668 x $2,081.76)	$1,616.86
Non-Labor Portion	=	(0.22332 x $2,081.76)	$464.90

- Wage-adjusted labor portion of imputed costs.

  ($1,616.86 x 0.9086) = $1,469.08

- Add back non-labor portion to wage-adjusted labor portion of imputed costs to come up with the total wage-adjusted imputed costs for home health aide visits.

  ($1,469.08 + $464.90) = $1,933.98

3. Physical Therapy Visits

- Divide total imputed costs into their labor and non-labor portions.

Labor Portion	=	(0.77668 x $628.44)	=	$488.10
Non-Labor Portion	=	(0.22332 x $628.44)	=	$140.34

- Wage-adjusted labor portion of imputed costs.

  ($488.10 x 0.9086) = $443.49

- Add back non-labor portion to wage-adjusted labor portion of imputed costs to come up with the total wage-adjusted imputed costs for home health aide visits.

  ($443.49+ $140.34) = **$583.83**

Step 3: Add together the wage-adjusted imputed costs for the skilled nursing, home health aide and physical therapy visits to obtain the total wage-adjusted imputed costs of the 60-day episode.

($4,805.46 + $1,933.98 + $583.83) = **$7,323.27**

3.8.3.2.4 Calculation of Outlier Payment

Step 1: Subtract the outlier threshold amount from the total wage-adjusted imputed costs to arrive at the costs in excess of the outlier threshold.

($7,323.27 - $6,058.92) = $1,264.35

Step 2: Multiply the imputed cost amount in excess of the HHRG threshold amount by the loss sharing ratio (80%) to arrive at the outlier payment.

($1,264.35 x 0.80) = **$1,011.48**

3.8.3.2.5 Calculation of Total Payment to HHA

Add the outlier payment amount to the case-mix and wage-adjusted 60-day episode payment amount to obtain the total payment to the HHA.

($3,838.30 + $1,011.48) = **$4,849.78**

3.9 Other Health Insurance (OHI) Under HHA PPS

Payment under the HHA PPS is dependent upon the PPS-specific information submitted by the provider with the TRICARE Claim (see Section 6). However, if the beneficiary has OHI which has processed the claim as primary payer, it is likely that the information necessary to determine the TRICARE PPS payment amount will not be available. Therefore, special procedures have been established for processing HHA claims involving OHI. These claims will not be processed as PPS claims. Such claims will be allowed as billed unless there is a provider discount agreement. The only exception to this is cases when there is evidence on the face of the claim that the beneficiary's liability is limited to less than the billed charge (e.g., the OHI has a discount agreement with the provider under which the provider agrees to accept a percentage of the billed charge as payment in full). In such cases, the TRICARE payment is to be the difference between the limited amount established by the OHI and the OHI payment.

- END -