

Chapter 12

Addendum L (CY 2011)

Annual Home Health Agency Prospective Payment System (HHA PPS) Rate Updates - CY 2011

(Final payment amounts per 60-day episodes ending on or after January 1, 2011 and before January 1, 2012 - 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 2011 that the standard prospective payment amount be increased by a factor equal to the applicable home health market basket update for HHAs.

National 60-Day Episode Payment Amounts - CY 2011

In order to calculate the CY 2011 national standardized 60-day episode, the CY 2010 national standardized 60-day episode payment of \$2,312.94 was increased to adjust for the 2.5% originally set aside for outlier payments and then reduced to account for the 5% due to the outlier adjustment mandated by the Patient Protection and Affordable Care Act (PPACA). This adjusted amount was then increased by the CY 2011 home health market basket update percentage of 1.1% and finally reduced by 3.79% to account for the change in case-mix that is not related to the real change in patient acuity levels as reflected in [Figure 12.L.2011-1](#):

FIGURE 12.L.2011-1 NATIONAL 60-DAY EPISODE PAYMENT RATE UPDATED BY THE HOME HEALTH MARKET BASKET UPDATE FOR CY 2011, BEFORE CASE-MIX ADJUSTMENT AND WAGE ADJUSTED BASED ON THE SITE OF SERVICE FOR THE BENEFICIARY

CY 2010 National Standardized 60-day Episode Payment Rate	Adjusted to return outlier funds that paid for the 2.5% target for outlier payments in CY 2010.	Reduced by 5% due to the outlier adjustment mandated by the PPACA.	Multiply by the home health market basket update (1.1%).	Reduced by 3.79% for nominal change in case-mix.	CY 2011 National Standardized 60-day Episode Payment Rate
\$2,312.94	÷ 0.975	x 0.95	x 1.011	x 0.9621	\$2,192.07

National Per-Visit Amounts Used to Pay Low Utilization Payment Adjustments (LUPAs) and Compute Costs of Outlier - CY 2011

The CY 2010 national per-visit amounts were increased to adjust for the 2.5% originally set aside for outlier payments then reduced by 5% as mandated in the PPACA. These adjusted amounts were then increased by the CY 2011 home health market basket update percentage of 1.1%. National

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per-visit rates were not subjected to the nominal increase in case-mix. The final updated CY 2011 national per-visit rates per discipline are reflected in [Figure 12.L.2011-2](#):

FIGURE 12.L.2011-2 NATIONAL PER-VISIT RATES FOR LUPAS (NOT INCLUDING THE LUPA ADD-ON PAYMENT AMOUNT FOR A BENEFICIARY’S ONLY EPISODE OR THE INITIAL EPISODE IN A SEQUENCE OF ADJACENT EPISODES) AND OUTLIER CALCULATIONS UPDATED BY THE CY 2011 HOME HEALTH MARKET BASKET UPDATE, BEFORE WAGE INDEX ADJUSTMENT

Home Health Discipline	CY 2010 Per-visit payment amounts per 60-day episode.	Adjusted to return the outlier funds that paid for the original 2.5% target for outlier payments in CY 2010.	Reduced by 5% due to the outlier adjustment mandated by the PPACA.	Multiply by home health market basket update (1.1%).	CY 2011 Per-visit amount
Home Health Aide	\$51.18	÷ 0.975	x 0.95	x 1.011	\$50.42
Medical Social Services	181.16	÷ 0.975	x 0.95	x 1.011	178.46
Occupational Therapy	124.40	÷ 0.975	x 0.95	x 1.011	122.54
Physical Therapy	123.57	÷ 0.975	x 0.95	x 1.011	121.73
Skilled Nursing	113.01	÷ 0.975	x 0.95	x 1.011	111.32
Speech-Language Pathology	134.27	÷ 0.975	x 0.95	x 1.011	132.27

Payment of LUPA Episodes

Payment for LUPA episodes changed in CY 2008 in that for LUPAs that occur as initial episodes in a sequence of adjacent episodes or as the only episode, an additional payment amount is added to the LUPA payment. The [Figure 12.L.2011-2](#) per-visit rate noted above are before that additional payment is added to the LUPA payment, and are the per-visit rates paid to all other LUPA episodes and used in computing outlier payments. LUPA episodes that occur as the only episode or initial episode in a sequence of adjacent episodes are adjusted by adding an additional amount to the LUPA payment before adjusting for wage index. For CY 2010, that amount was \$94.72. This additional LUPA amount was updated in the same manner as the national standardized 60-day episode payment amount and the per-visit rates as is reflected in [Figure 12.L.2011-3](#).

FIGURE 12.L.2011-3 CY 2011 LUPA ADD-ON PAYMENT AMOUNTS

CY 2010 LUPA add-on payment amount adjusted to return the outlier funds, that paid for the original 5% target for outliers.	Adjusted to return the outlier funds that paid for the 2.5% target for outlier payments in CY 2010.	Reduced by 5% due to the outlier adjustment mandated by the PPACA.	Multiply by the home health market basket update (1.1%).	CY 2011 LUPA add-on amounts
\$94.72	÷ 0.975	x 0.95	x 1.011	\$93.31

Severity Non-Routine Medical Supplies (NRS) System

Beginning in CY 2008, to ensure that the variation in NRS is more appropriately reflected in the HHA PPS, the original portion (\$49.62) of the HHA PPS base rate that accounted for NRS, was replaced with a system that pays for NRS based on six severity groups. Payments for the NRS are computed

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by multiplying the relative weight for a particular severity level by the NRS conversion factor. The CY 2010 NRS conversion factor was updated for CY 2011 by increasing it to adjust for the 2.5% originally set aside for outlier payments and then reducing by the 5% outlier adjustment mandated by the PPACA. The adjusted conversion factor was then increased by the CY 2011 home health market basket update percentage of 1.1% as reflected in [Figure 12.L.2011-4](#). The NRS conversion factor for CY 2011 is \$52.54.

FIGURE 12.L.2011-4 NON-ROUTINE MEDICAL SUPPLY (NRS) CONVERSION FACTOR FOR CY 2011

CY 2010 NRS Conversion Factor	Adjusted to return the outlier funds that paid for the 2.5% target for outliers payments in CY 2010.	Reduced by 5% due to the outlier adjustment mandated by the PPACA.	Multiply by home health market basket update (1.1%).	CY 2011 NRS Conversion Factor
\$53.34	÷ 0.975	x 0.95	x 1.011	\$52.54

The payment amounts, using the above computed CY 2011 NRS conversion factor (\$52.54), for the various severity levels based on the updated conversion factor are calculated in [Figure 12.L.2011-5](#).

FIGURE 12.L.2011-5 RELATIVE WEIGHTS FOR THE SIX-SEVERITY NRS SYSTEM FOR CY 2011

Severity Level	Points (Scoring)	Relative Weight	NRS Payment Amount
1	0	0.2698	\$14.18
2	1 to 14	0.9742	51.18
3	15 to 27	2.6712	140.34
4	28 to 48	3.9686	208.51
5	49 to 98	6.1198	321.53
6	99+	10.5254	553.00

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 has been retained for CY 2011 at 0.67.

Outcome and Assessment Information Set (OASIS)

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

Temporary 3% Rural Add-On for the HHA PPS

The rural add-on policy was established in Section 3131 of the PPACA of 2010. Section 3131 amends Section 421 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Public Law 108-173) as amended by Section 5201(b) of the DRA of 2005 (Public Law 109-171).

Section 3131 of the PPACA institutes, for home health services furnished in a rural area with respect to episodes and visits ending on or after April 1, 2010 and before January 1, 2016, a 3% increase in

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the payment amount otherwise made under the HHA PPS. 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 home health 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 2011 national standardized 60-day episode payment of \$2,192.07 was increased by 3%.

FIGURE 12.L.2011-6 NATIONAL 60-DAY EPISODE PAYMENT AMOUNTS FOR BENEFICIARIES RESIDING IN RURAL AREAS, BEFORE CASE-MIX ADJUSTMENT AND WAGE ADJUSTED BASED ON THE SITE OF SERVICE FOR THE BENEFICIARY

CY 2011 National standardized 60-day episode payment rate.	Multiplied by the 3% rural add-on.	CY 2011 National standardized 60-day episode payment rate.
\$2,192.07	x 1.03	\$2,257.83

National Per-Visit Amounts Used To Pay LUPAs For Beneficiaries Who Reside In Rural Areas

The CY 2011 national per-visit amounts were increased by 3% for beneficiaries who reside in rural areas.

FIGURE 12.L.2011-7 NATIONAL PER-VISIT RATES FOR LUPAS (NOT INCLUDING THE LUPA ADD-ON PAYMENT AMOUNT FOR A BENEFICIARY'S ONLY EPISODE OR THE INITIAL EPISODE IN A SEQUENCE OF ADJACENT EPISODES) AND OUTLIER CALCULATIONS UPDATED BY THE 3% RURAL ADD-ON

Home Health Discipline	CY 2011 Per-visit rate.	Multiplied by 3% rural add-on.	Total CY 2011 Per-visit rate for a rural areas.
Home Health Aide	\$50.42	x 1.03	\$51.93
Medical Social Services	178.46	x 1.03	183.81
Occupational Therapy	122.54	x 1.03	126.22
Physical Therapy	121.73	x 1.03	125.38
Skilled Nursing	111.32	x 1.03	114.66
Speech-Language Pathology	132.27	x 1.03	136.24

Payment of LUPA Episodes for Beneficiaries Who Reside in Rural Areas

LUPA episodes that occur as initial episodes in a sequence of adjacent episodes or as the only episode receive an additional payment. The per-visit rates noted in [Figure 12.L.2011-7](#) are before

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that additional payment is added to the LUPA amount. The CY 2011 LUPA add-on payment was increased by 3% for beneficiaries who reside in rural areas.

FIGURE 12.L.2011-8 LUPA ADD-ON PAYMENT AMOUNT FOR BENEFICIARIES WHO RESIDE IN A RURAL AREA

CY 2011 LUPA Add-On Payment.	Multiplied by the 3% rural add-on.	Total CY 2011 LUPA add-on amount for rural areas.
\$93.31	x 1.03	\$96.11

Payment for NRS

Payments for NRS are computed by multiplying the relative weight for a particular severity level by the NRS conversion factor. The NRS conversion factor for CY 2011 payments was increased by 3% for beneficiaries who reside in rural areas.

FIGURE 12.L.2011-9 NRS CONVERSION FACTOR FOR BENEFICIARIES WHO RESIDE IN A RURAL AREA

CY 2011 NRS Conversion Factor	Multiplied by the 3% rural add-on.	Total CY 2011 NRS conversion factor for rural areas.
\$52.54	x 1.03	\$54.12

The payment amounts, using the above computed NRS conversion factor (\$54.94), for the various severity levels based on the updated conversion factor are calculated in [Figure 12.L.2011-10](#).

FIGURE 12.L.2011-10 RELATIVE WEIGHTS FOR THE SIX-SEVERITY NRS SYSTEM FOR BENEFICIARIES RESIDING IN A RURAL AREA

Severity Level	Points (Scoring)	Relative Weight	Total NRS payment amount for rural areas.
1	0	0.2698	\$14.60
2	1 to 14	0.9742	52.72
3	15 to 27	2.6712	144.57
4	28 to 48	3.9686	214.78
5	49 to 98	6.1198	331.20
6	99+	10.5254	569.63

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