

CHAPTER 12  
ADDENDUM L (CY 2012)

**ANNUAL HHA PPS RATE UPDATES - CALENDAR YEAR 2012**

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(Final payment amounts per 60-day episodes ending on or after January 1, 2012 and before January 1, 2013 - 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 2012 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 2012**

In order to calculate the CY 2012 national standardized 60-day episode, the CY 2011 national standardized 60-day episode payment of \$2,192.07 was increased by the CY 2012 home health market basket update percentage of 1.4% (which reflects a 1% reduction applied to the 2.4% market basket update factor, as mandated by the Affordable Care Act) and 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-2012-1](#):

**FIGURE 12-L-2012-1 NATIONAL 60-DAY EPISODE PAYMENT RATE UPDATED BY THE HOME HEALTH MARKET BASKET UPDATE FOR CY 2012, 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	Multiply by CY 2012 HH PPS payment update percentage (1.4%).	Reduce by 3.79% for nominal change in case-mix.	CY 2012 of 1.4% National Standardized 60-day Episode Payment Rate
\$2,192.07	x 1.014	x 0.9621	\$2,138.52

**National Per-Visit Amounts Used to Pay Low Utilization Payment Adjustments (LUPAs) and Compute Costs of Outlier - CY 2012**

The CY 2011 national per-visit amounts were increased by the CY 2012 home health payment update percentage of 1.4%. National per-visit rates are not subjected to the nominal increase

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in case-mix. The final updated CY 2012 national per-visit rates per discipline are reflected in [Figure 12-L-2012-2](#):

**FIGURE 12-L-2012-2 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 2012 HH PPS PAYMENT UPDATE PERCENTAGE, BEFORE WAGE INDEX ADJUSTMENT**

Home Health Discipline	CY 2011 Per-visit payment amounts per 60-day episode.	Multiply by the HH PPS payment update percentage (1.4%).	CY 2012 Per-visit Amount.
Home Health Aide	\$50.42	x 1.014	\$51.13
Medical Social Services	178.46	x 1.014	180.96
Occupational Therapy	122.54	x 1.014	124.26
Physical Therapy	121.73	x 1.014	123.43
Skilled Nursing	111.32	x 1.014	112.88
Speech-Language Pathology	132.27	x 1.014	134.12

**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-2012-2](#) 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 2011, that amount was \$93.31. 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-2012-3](#).

**FIGURE 12-L-2012-3 CY 2012 LUPA ADD-ON PAYMENT AMOUNTS**

CY 2011 LUPA Add-on Payment Amount	Multiply by the HH PPS payment update percentage (1.4%).	CY 2012 LUPA add-on Amounts
\$93.31	x 1.014	\$94.62

**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 by multiplying the relative weight for a particular severity level by the NRS conversion factor. The CY 2011 NRS conversion factor was updated for CY 2012 by the

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CY 2012 HH PPS payment update percentage of 1.4% as reflected in [Figure 12-L-2012-4](#). The NRS conversion factor for CY 2012 is \$53.28.

**FIGURE 12-L-2012-4 NON-ROUTINE MEDICAL SUPPLY (NRS) CONVERSION FACTOR FOR CY 2012**

CY 2011 NRS Conversion Factor	Multiply by the HH PPS payment update percentage (1.4%).	CY 2012 NRS Conversion Factor
\$52.54	x 1.014	\$53.28

The payment amounts, using the above computed CY 2012 NRS conversion factor (\$53.28), for the various severity levels based on the updated conversion factor are calculated in [Figure 12-L-2012-5](#).

**FIGURE 12-L-2012-5 RELATIVE WEIGHTS FOR THE SIX-SEVERITY NRS SYSTEM FOR CY 2012**

Severity Level	Points (Scoring)	Relative Weight	NRS Payment Amount
1	0	0.2698	\$14.37
2	1 to 14	0.9742	51.91
3	15 to 27	2.6712	142.32
4	28 to 48	3.9686	211.45
5	49 to 98	6.1198	326.06
6	99+	10.5254	560.79

**Labor And Non-Labor Percentages**

For CY 2012, the labor percent is 77.082%, and the non-labor percent is 22.918%

**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 2012 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**

Section 421(a) of the Medicare Prescription Drug, Improvement, and Modernization Act (MMA) of 2003 (Public Law 108-173, enacted on December 8, 2003 and as amended by Section 3131(c) of the Affordable Care Act) provides an increase of 3% of the payment amount otherwise made under Section 1895 of the Act for home health services furnished in a rural area (as defined in Section 1886(d)(2)(D) of the Act), for episodes and visits ending on or after April 1, 2010 and before January 1, 2016. The 3% rural add-on is applied to the national standardized 60-day episode rate, the national per-visit rates, the LUPA add-on

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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 2012 national standardized 60-day episode payment of \$2,138.52 was increased by 3%.

**FIGURE 12-L-2012-6 CY 2012 PAYMENT AMOUNTS FOR SERVICES PROVIDED IN A RURAL AREA, BEFORE CASE-MIX ADJUSTMENT AND WAGE INDEX ADJUSTMENT**

CY 2011 National standardized 60-day episode payment rate	Multiplied by the 3% rural add-on.	CY 2012 national standardized 60-day episode payment rate
\$2,138.52	x 1.03	\$2,202.68

**CY 2012 Per-Visit Amounts For Services Provided In A Rural Area, Before Wage Index Adjustment**

The CY 2012 national per-visit amounts were increased by 3% for beneficiaries who reside in rural areas.

**FIGURE 12-L-2012-7 CY 2012 PER-VISIT AMOUNTS FOR SERVICES PROVIDED IN A RURAL AREA, BEFORE WAGE INDEX ADJUSTMENT**

Home Health Discipline	CY 2012 Per-visit rate.	Multiplied by 3% rural add-on.	Total CY 2012 Per-visit rate for a rural areas.
Home Health Aide	\$51.13	x 1.03	\$52.66
Medical Social Services	180.96	x 1.03	186.39
Occupational Therapy	124.26	x 1.03	127.99
Physical Therapy	123.43	x 1.03	127.13
Skilled Nursing	112.88	x 1.03	116.27
Speech-Language Pathology	134.12	x 1.03	138.14

**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-2012-7](#) are before that additional payment is added to the LUPA amount. The CY 2012 LUPA add-on payment was increased by 3% for beneficiaries who reside in rural areas.

**FIGURE 12-L-2012-8 CY 2012 LUPA ADD-ON PAYMENT AMOUNT FOR SERVICES PROVIDED IN A RURAL AREA**

CY 2012 LUPA Add-On Payment.	Multiplied by the 3% rural add-on.	Total CY 2012 LUPA add-on amount for rural areas.
\$94.62	x 1.03	\$97.46

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**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 2012 payments was increased by 3% for beneficiaries who reside in rural areas.

**FIGURE 12-L-2012-9 CY 2012 NRS CONVERSION FACTOR FOR BENEFICIARIES WHO RESIDE IN A RURAL AREA**

CY 2012 NRS Conversion Factor	Multiplied by the 3% rural add-on.	Total CY 2012 NRS conversion factor for rural areas.
\$53.28	x 1.03	\$54.88

The payment amounts, using the above computed NRS conversion factor (\$54.88), for the various severity levels based on the updated conversion factor are calculated in [Figure 12-L-2012-10](#).

**FIGURE 12-L-2012-10 CY 2012 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	\$14.81
2	1 to 14	0.9742	53.46
3	15 to 27	2.6712	146.60
4	28 to 48	3.9686	217.80
5	49 to 98	6.1198	335.85
6	99+	10.5254	577.63

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