



150 State Street, Suite 301 Albany, New York 12207-1698 Telephone (518) 449-2707 Fax (518) 455-8908 Web www.nyahsa.org

MEMORANDUM

TO: Community Services Members

FROM: Anne Hill, Community Services Policy Analyst
Patrick Cucinelli, Senior Financial Policy Analyst

DATE: November 18, 2008

SUBJECT: Home Health PPS for 2009

ROUTE TO: Administrator, CFO

ABSTRACT: Medicare home health PPS rates finalized for 2009.

Introduction

The Centers for Medicare and Medicaid Services (CMS) has released their final rule updating the Medicare home health agency (HHA) prospective payment system (PPS) rule for calendar year (CY) 2009. The final rule can be viewed in its entirety in the [*Federal Register Vol. 73, No. 213 Monday, November 3, 2008*](#).

Since the CY 2009 HHA PPS notice does not contain any significant programmatic changes or refinements, CMS did not issue a proposed rule in advance of this final rule. The changes implemented with the CY 2008 HHA PPS final notice will essentially carry forward into next year. As noted at its issuance, the CY 2008 final rule contained the first significant revisions to the HHA PPS since its inception.

CY 2009 MBI

The Market Basket Index (MBI) increase for CY 2009 will be 2.9 percent, which is slightly lower than this year's 3.0 percent. As detailed below, however, this 2.9 percent will be offset by the ongoing phase-in of the case-mix "creep" adjustment. Also, 12 out of 14 wage index regions in the state are seeing a decrease in their wage index, which will likewise partially offset the MBI increase.

2009 Wage Index Revisions

CMS continues to utilize a wage index in order to account for differences in regional wage levels. The wage index must be applied in a manner that does not result in aggregate payments that are greater or less than would otherwise be made in the absence of the wage adjustment.

As noted in the MBI discussion, there are 12 regions in the state that will see decreases in their wage indexes from 2008 to 2009. For the 14 wage index regions in New York, the 2009 changes are as follows:

Table 1. Comparison of 2008 and 2009 Medicare Wage Indexes

Year	Region													
	Albany	Binghamton	Buffalo	Elmira	Glens Falls	Ithaca	Kingston	Nassau	NYC	Poughkeepsie	Rochester	Syracuse	Utica	Rural
2008	0.8588	0.8949	0.9568	0.8264	0.8256	0.9630	0.9556	1.2640	1.3115	1.0982	0.8858	0.9910	0.8486	0.8268
2009	0.8707	0.8574	0.9537	0.8247	0.8473	0.9614	0.9375	1.2453	1.2885	1.0920	0.8811	0.9787	0.8404	0.8145

Source: CMS HHA PPS Final Rule for FY 2009

The county level breakdown of regions is as follows:

Table 2. - Payment Localities

Payment Locality	Counties
Albany-Schenectady-Troy	Albany, Rensselaer, Saratoga, Schenectady, Schoharie
Binghamton	Broome, Tioga
Buffalo-Niagara Falls	Erie, Niagara
Elmira	Chemung
Glens Falls	Warren, Washington
Ithaca	Tompkins
Kingston	Ulster
Nassau-Suffolk	Nassau, Suffolk
New York City	Bronx, Kings, New York, Putnam, Queens, Richmond, Rockland, Westchester (NJ – Bergen, Hudson, and Passaic)
Poughkeepsie	Dutchess, Orange
Rochester	Livingston, Monroe, Ontario, Orleans, Wayne
Syracuse	Madison, Onondaga, Oswego
Utica-Rome	Herkimer, Oneida
Non-Urban (Rural)	All Other Counties

The Ithaca, Nassau-Suffolk, New York City, and Rochester regions also saw decreases in their wage indexes last year, and the New York City region took a major hit to their wage index in 2006 with the consolidation of three northern New Jersey counties into the New York metro region. Following are the five regions which incurred wage index decreases last year:

Table 3. Listing of FY 2008 Wage Index Decreases

Region	FY2008	FY2007
Albany	0.8588	0.8720
Glens Falls	0.8256	0.8325
Ithaca	0.9630	0.9928
Nassau-Suffolk	1.2640	1.2663
New York Metro	1.3115	1.3177
Rochester	0.8858	0.8994

Source: CMS HHA PPS Final Rule for FY 2008

Case-Mix Creep Adjustment

The case-mix creep adjustment is an important carry over from the CY 2008 final rule. According to CMS, an analysis of home health claims data indicates a significant increase in the observed case-mix since 2000, which CMS believes is due to changes in coding practices and documentation rather than to treatment of more resource-intensive patients. Of the average 23.3 percent change in case-mix, CMS believes that 8.7 percent is due to nominal changes rather than actual changes in the underlying condition of home care patients. To correct for what CMS views as case-mix “creep”, this rule proposes to reduce the national standardized 60-day episode payment rate by 2.75 percent per year for three years beginning in CY 2008. As noted below, this will reduce the impact of the 2.9 percent market basket increase for CY 2009, the second year of the 3 year phase-in, with a final 4th year adjustment of minus 2.71 in 2011.

Additional CY 2008 Issues

Following are highlights of the CY 2008 final rule that will continue to impact rates for CY 2009:

Additional Quality Measures – The CY 2008 proposed rule added two National Quality Forum-endorsed measures to the 10 that are currently reported: emergent care for wound infections - deteriorating wound status; and improvement in status of surgical wound. CMS publicly reports the nationally accepted and approved quality measures through the Medicare Home Health Compare Web site located at www.medicare.gov. The failure to submit quality data will continue to result in a reduction in an agency’s MBI from 1.29 to 1.09 for CY 2009.

Changes to Therapy Threshold Visits – CY 2008 implemented changes to the case-mix model including replacing the current therapy threshold at 10 visits per episode with three new therapy thresholds at 6, 14, and 20 therapy visits. The new thresholds have graduated payment levels between the proposed therapy thresholds to reduce incentives to inappropriately target higher thresholds. According to CMS, these changes will significantly increase the case-mix model’s ability to more appropriately reflect actual costs and consequently provide more accurate payments to HHAs.

LUPA Modifications – The CY 2008 rule also modified the low utilization payment adjustment (LUPA) and eliminated the significant change in condition payment adjustment (see below). The rule increased payment for LUPA episodes that occur as the only episode or the first episode during a series of home health interventions to account for the initial greater costs in such episodes.

Case-Mix Groups – The number of case-mix groups was almost doubled from the current 80 to 153. While this provided for more accuracy, it also entailed a greater degree of administrative complexity for HHAs along with software and other systems changes.

SCIC Adjustment – Prior to 2008, Medicare allowed for a significant change in condition (SCIC) adjustment to cover the cost of medical complications not envisioned in the original plan of care. CMS is proposed elimination of the SCIC based on their analysis which showed that the process was too complicated for agencies to administer effectively; the rate of usage was declining; and the impact on agencies would be minimal with SCIC adjustments representing less than 0.5 percent of payments.

Non-routine Medical Supplies - CMS revised the accounting for non-routine medical supplies (NRS) in the standardized 60-day episode payment rate. Medicare now pays for NRS based on 6 severity groups, similar to the proposed clinical case-mix model, which according to CMS more accurately reflects home health agency costs for NRS (See Table 5.)

OASIS Data Collection Requirements - HHAs collect and report Outcome and Assessment Information Set (OASIS) data. For CY 2009, CMS is continuing to rely on this submission of OASIS assessments. Continuing to use the current OASIS instrument ensures that providers would avoid any additional burden of reporting through a separate mechanism and any related costs associated with the development and testing of a new reporting mechanism.

2009 PPS Episodic Rate

CMS is adjusting the base average episodic payment rate effective for episodes ending January 1, 2009 through December 31, 2009 to \$2,271.92. This new episodic rate represents a slight increase of \$1.60 per episode from the CY 2008 episodic rate.

In order to calculate the CY 2009 national standardized 60-day episode payment rate, CMS first increased the CY 2008 national standardized 60-day episode payment rate (\$2,270.32) by the home health market basket update of 2.9 percent for CY 2009 for a figure of \$2,336.16. Given this updated rate, CMS then applied a reduction of 2.75 percent to account for nominal change in case-mix by multiplying by 0.9725 for a final rate of \$2,271.92. This new base episodic rate is then subject to adjustment for the applicable Home Health Resource Group (HHRG) and wage index for the area in which the patient resides.

2009 LUPA Rates

CMS is increasing the payments for LUPAs as shown in Table 4.

Table 4. National Per-Visit Amounts for LUPAs (Not including the Increase in Payment for a Beneficiary's Only Episode or the Initial Episode in a Sequence of Adjacent Episodes and Outlier Calculations Updated by the Home Health Market Basket Update for CY 2009, Before Wage Index Adjustment Based on the Site of Service for the Beneficiary.)

2009 LUPA Rates per Visit Type of Visit	For HHAs Submitting Quality Data			2 Percent Reduction for Failure To Submit Quality Data	
	CY 2008 Rate (1)	CY 2009 MBI	CY 2009 Full Rate	Minus 2 % (1)(1.029 - .02)	CY 2009 Reduced Rate
Home Health Aide.....	\$47.51.....	x 1.029.....	\$48.89.....	x 1.009.....	\$47.94
Medical Social Services.....	168.17.....	x 1.029.....	173.05.....	x 1.009.....	169.68
Occupational Therapy.....	115.48.....	x 1.029.....	118.83.....	x 1.009.....	116.52
Physical Therapy.....	114.71.....	x 1.029.....	118.04.....	x 1.009.....	115.74
Skilled Nursing.....	104.91.....	x 1.029.....	107.95.....	x 1.009.....	105.85
Speech-Language Pathology.....	124.65.....	x 1.029.....	128.26.....	x 1.009.....	125.77

Source: CMS HHA PPS Final Rule for 2009

Consumer Assessment Tool

The Department of Health and Human Services (HHS) is implementing a series of Transparency Initiatives designed to measure and publicly report patient experiences with the Medicare services they receive under a public/private partnership known as the Consumer Assessment of Healthcare Providers and Systems (CAHPS) and administered by the Agency for Healthcare Research and Quality. CMS reports that the CAHPS home health care survey is now being developed. Updates on the home health CAHPS is expected to be available in the future at: <https://www.cahps.ahrq.gov/default.asp>.

Partial Episode Payment

The CY 2009 notice maintains the continued use of the Partial Episode Payment adjustment with no changes.

Fixed Dollar Loss Ratio

For CY 2009, CMS is maintaining the current CY 2008 fixed dollar loss (FDL) ratio of 0.89%. A recent CMS analysis of outlier payments showed that the FDL ratio would have to be significantly increased to 2.71% to keep national outlier payments within 5% of the total estimated home health PPS payments. CMS concluded, however, that this high number was unduly influenced by regional anomalies, including the fraudulent use of outlier payments in specific areas. Therefore, CMS is looking to address the issue by dealing with the inappropriate use of the outlier payments rather than adjusting the FDL.

To legitimately qualify for an outlier payment, the episode must first pass the outlier threshold, which is computed using a wage and case-mix adjusted episodic rate combined with a wage-adjusted FDL loss amount. The wage-adjusted FDL represents the amount of loss that an agency must bear before an episode becomes eligible for outlier payments. The FDL is computed by multiplying the wage-adjusted 60-day episode payment amount by the fixed dollar loss ratio, which is a proportion expressed in terms of the national standardized episode payment amount. The outlier payment is defined to be a proportion of the wage-adjusted estimated costs beyond the wage adjusted threshold. The proportion of additional costs paid as outlier payments is referred to as the loss sharing ratio.

For CY 2009, the FDL ratio of 0.89 represents the percentage of costs that providers would absorb, in addition to their loss-sharing portion of the estimated cost in excess of the outlier

threshold. The FDL amount of approximately \$2,022.01 is computed by multiplying the CY 2009 standard 60-day episodic payment amount (\$2,271.92) by the FDL ratio (0.89).

Non-Routine Supplies

Beginning in CY 2008, to ensure that the variation in non-routine medical supplies (NRS) is more appropriately reflected in the HH PPS, CMS replaced the original portion (\$49.62) of the HHA PPS base rate that accounted for NRS, with a system that pays for NRS based on 6 severity groups. Payments for NRS are updated by the home health market basket and reduced by the 2.75 percent reduction to the rates through the updating of the NRS conversion factor. NRS payments are computed by multiplying the relative weight for a particular severity level by the NRS conversion factor. For this notice, the NRS conversion factor is updated by the home health market basket update of 2.9 percent and reduced by the 2.75 percent reduction to the rates. The NRS conversion factor for CY 2008 was \$52.35. Consequently, for CY 2009, the NRS conversion factor is \$52.39 ($52.35 \times (1.029 \times (1-0.0275))$). The payment amounts for the various severity levels based on the updated conversion factor are calculated in Table 5.

Table 5. NRS Weights

CY 2009 Relative Weights for the 6-Severity NRS System

Relative Severity level	NRS payment Points scoring weight	Payment Amount
1.....0.....	0.2698	\$14.13
2.....1 to 14.....	0.9742	51.04
3.....15 to 27.....	2.6712	139.94
4.....28 to 48.....	3.9686	207.91
5.....49 to 98.....	6.1198	320.62
6.....99+.....	10.5254	551.43

Source: CMS HHA PPS Final Rule for 2009

Home Health Grouper Software

The home health grouper software is available from CMS at:

http://www.cms.hhs.gov/HomeHealthPPS/05_CaseMixGrouperSoftware.asp.

Effective October 1, 2008, CMS is providing an updated HHA PPS Grouper Software Package (Version 2.03). These materials include the updated GROUPER.DLL software module, an updated version of the grouper logic (pseudo code) and associated tables, and updated test cases to be used by those who are developing their own software to implement the grouper logic. The changes to the grouper are described in the README file (README203.PDF) included in the updated package.

Please contact us with any questions at ahill@nyahsa.org or call 518-449-2707 ext. 141, or pcucinelli@nyahsa.org or call ext. 145.