2018 Home Health PPS Rate Update

On November 7, 2017, CMS issued the Final Rule to update the Medicare Home Health Prospective Payment System (HH PPS) rates and wage index for calendar year (CY) 2018. In summary, this final rule:

- Increases the Standardized PPS Base Rate by 1.661%, comprised of :
  - An increase of 0.04% Wage Index Budget Neutrality factor
  - A decrease of 0.97% to account for nominal case-mix growth from 2012 through 2014
  - An increase of 1.00% Market Basket Update
  - An increase of 1.600% Case Mix Weight recalibration
- Correspondingly decreases Case Mix Weights by 1.600%
- The Outlier Fixed Dollar Loss (FDL) ratio of 0.55 and the Loss Sharing factor of 80% remains unchanged
- Caps for EACH AGENCY'S outlier payments at 10% of total PPS payments
- The 3% rural add-on is eliminated.

Payments to home health agencies (HHAs) are estimated to decrease by approximately 0.4%, or $80 million in CY 2018.

This rule also discusses:

- Updates to the Home Health Quality Reporting Program (HH QRP);
- Updates regarding public reporting of performance under the Home Health Value-Based Purchasing (HHVBP) Model;

Case Mix Recalibration to Average Weight of 1.0000

For CY 2018, a recalibration was made to increase the Standardized Episodic PPS Base Rate by 1.6% and correspondingly reducing Case Mix Weights by 1.6%.

Episodic Base Rate

The 2018 Episodic Base Rate is **$3,039.64** compared to $2,989.97 for 2017. While this may seem like an increase, as stated in the previous section, Case Mix Weights reflect a budget neutrality reduction of 1.60%.

For patients served in RURAL areas, the 3% add-on has been ELIMINATED for 2018.

Low Utilization Payment Adjustments (LUPA)

The Standardized Rates used for LUPA's computation changed as follows:

	2018	**2017**
Skilled Nursing	$ 143.40	$141.84
Physical Therapy	156.76	155.05
Occupational Therapy	157.83	156.11
Speech Therapy	170.38	168.52
Medical Social Worker	229.86	227.36
Home Health Aide	64.94	64.23
Initial or Only Episode add-on payment:	-	-
Skilled Nursing is first skilled visit	121.19	119.87
Physical Therapy is first skilled visit	105.03	103.88
Speech Therapy is first skilled visit	106.76	105.59

As implemented in 2014, CMS will continue to use three LUPA add-on factors in calculating the LUPA add-on payment amount for LUPA episodes that are the only episode or the first episode in a sequence of adjacent episodes. In 2013 a single rate of $95.85 was made in addition to the initial visit rate. Effective in 2014, CMS finalized three LUPA add-on factors to be used in calculating the LUPA add-on payment amount: 1.8451 for skilled nursing, 1.6700 for physical therapy and 1.6266 for speech-language pathology **when that discipline is the first skilled visit in a LUPA episode** that occurs as the only episode or an initial episode in a sequence of adjacent episodes. For example, if the first skilled visit is a Skilled Nurse, the payment for that visit will be $264.59 (1.8451 multiplied by $143.40). Effectively, this translates to an equivalent add-on payment of $121.19, $105.03, and $106.76 for SN, PT, and ST, respectively (as reflected in the above table).

Effective for episodes ending on or after January 1, 2017, The LUPA rates will no longer be used in the Outlier computation. Instead, a 15-minute unit will be used in the computation, as further explained below in the Outlier section below.

Wage Index

The Standardized **Episodic Rate** and the Standardized **LUPA Rates** stated above are BEFORE applying the CBSA **Wage Index Adjustments.**

The **labor-related** share for episodic and LUPA rates remains at 78.535%; meanwhile, the wage index has changed for all CBSA's. The *CBSA Tab* in the attached file list the wage index amounts for all Urban & Rural Counties for 2018 and 2017.

Outliers

The Outlier Fixed Dollar Loss (FDL) factor remains unchanged from at **55%** ($1,671.80) of the Episodic Rate and the Loss Sharing Ratio which remains at **80%.** As implemented in the 2010 final rule, outlier payments will continue to be "capped" at 10% of the AGENCY'S *Total PPS Payments*. The claims processing system would ensure that for each time a claim for a provider was processed, YTD outlier payments for that calendar year could never exceed 10% of YTD total PPS payments for that provider for that calendar year. The 10% payment cap is intended to penalize agencies that are abusing the outlier system and reward those that have not abused the system.

In 2017 CMS is changed the methodology used in computing outlier payments. Since the inception of PPS through 2016, The Wage Adjusted Standardized Cost used in the computation was based on per-visit LUPA rates by discipline. Effective for episodes ending in 2017, CMS is modifying the outlier methodology as to use a cost-per-15 minute unit approach. The per-unit amount was arrived at by dividing the LUPA rate by the average number of minutes per visit and then multiplying by 15 (minutes), as show in the table below:

Visit type	Cy 2018 National Per-visit Payment Rates	Average Minutes-per-visit	Cost-per-unit (1 Unit = 15 Minutes)
Skilled nursing	143.40	44.8	48.01
Physical therapy	156.76	46.6	50.46
Occupational therapy	157.83	47.1	50.26
Speech-language pathology	170.38	48.1	53.13
Medical social services	229.86	56.5	61.02
Home health aide	64.94	63.0	15.46

The table below illustrates how the 15-minute unit will be determined:

Time	Units
<23 minutes	1
23 minutes to <38 minutes	2
38 minutes to <53 minutes	3
53 minutes to <68 minutes	4
68 minutes to <83 minutes	5
83 minutes to <98 minutes	6
98 minutes to <113 minutes	7
113 minutes to <128 minutes	8
128 minutes to <143 minutes	9
143 minutes to <158 minutes	10

Non-Routine Supplies (NRS)

The Non-Routine Supply (NRS) Conversion Factor changes from $52.50 to $53.03; however, non-routine supply (NRS) relative weights will remain unchanged. After applying the relative weights for the severity levels, the NRS payment changed as follows:

	Relative Weight	**2018**	**2017**
Level 1	0.2698	$ 14.31	$ 14.16
Level 2	0.9742	51.66	51.15
Level 3	2.6712	141.65	140.24
Level 4	3.9686	210.45	208.35
Level 5	6.1198	324.53	321.29
Level 6	10.5254	558.16	552.58

Unlike the Episodic rate and the LUPA rates, the above NRS rates are NOT subject to wage adjustment.

Rural Add-on

As stated previously, the 3% rural add-is scheduled to expire on January 1, 2018. Currently, the 3% add-on rate applied to the Episodic rates, per visit LUPA rates, and Non-Routine Supplies (NRS) rates.

Value-Based Purchasing (VBP)

This final rule also finalizes changes to the Home Health Value-Based Purchasing (HHVBP) Model, which was implemented on January 1,2016.

CMS is amending the definition of "applicable measure'' to mean a measure for which a competing HHA has provided a minimum of 40 completed surveys for HHCAHPS measures, beginning with Performance Year (PY) 1, for purposes of receiving a performance score for any of the HHCAHPS measures, and for PY 3 and subsequent years, CMS is finalizing the removal of the OASIS-based measure, Drug Education on All Medications Provided to Patient/Caregiver during All Episodes of Care, from the set of applicable measures.

Home Health Quality Reporting Program

CMS finalized updates to the Home Health Quality Reporting Program, including: The replacement of one quality measure and the adoption of two new quality measures, data submission requirements, exception and extension requirements, and reconsideration and appeals procedures.

CMS also finalized the removal of 235 data elements from 33 current OASIS items, effective with all HHA assessments on or after January 1, 2019. These data elements were not used in the calculation of quality measures already adopted in the HH QRP, nor are they being used for previously established purposes unrelated to the HH QRP, including payment, survey, the HH VBP Model or care planning.

Home Health Groupings Model (HHGM)

In the proposed rule, CMS proposed to implement the Home Health Groupings Model (HHGM) for CY 2019 payments. The HHGM would use 30-day periods, rather than 60-day episodes, and rely more heavily

on clinical characteristics and other patient information (e.g., principal diagnosis, functional level, comorbid conditions, referral source, and timing) to place patients into more meaningful payment categories. Implementation of this model would strip nearly $1 billion from home health reimbursement in the first year alone. CMS is not finalizing the implementation of the Home Health Groupings Model (HHGM) in this final rule. CMS received many comments from the public that it would like to take into further consideration.

This message does NOT address every aspect of the Final Rule. I strongly encourage you go to the CMS website to read the rule for yourself. The final rule can be found at:
https://www.gpo.gov/fdsys/pkg/FR-2017-11-07/pdf/2017-23935.pdf

Attached is an **EXCEL SPREADSHEET** file to help you calculate the 2017 rates for your individual agency. It includes a number of tools I think you may find useful. The file contains the following ***TABS***:

HHRG: The spreadsheet allows you to enter up to Nine CBSA codes in the YELLOW shaded boxes so that you can view the HHRG and LUPA rates for a number of counties in your area. Input your County Code in cells M5 to V5 and the HHRG rates will be generated for each HHRG taking into account the wage index for your CBSA. LUPA per visit rates are also generated. Simply go to the ***LUPA Rates*** tab and print. HOWEVER, the NRS amount is NOT reflected into the computations on this ***HHRG*** tab. The advantage to this Tab vs. the ***HHRG w NRS*** tab is that you can generate rates for multiple CBSA's; however the disadvantage is the NRS amount is not reflected in the computation due to space limitations. The table takes into consideration the 3% rural add-on, which is based on CBSA code 99900 or higher.

HHRG w NRS: To generate a spreadsheet to include the Non-Routine Supply (NRS), enter a CBSA codes in the YELLOW shaded box so that you can view the HHRG with NRS Amount. Input your County Code in cells L5 and the HHRG rates along with a separate column for each NRS Level will be generated for each HHRG taking into account the wage index for your CBSA. Due to a limitation in the number of columns that can be printed and readable, only ONE CBSA can be entered in this sheet.

LUPA Rates: Will compute automatically based on input in the ***HHRG Rates*** tab.

Outlier: Computes outlier; you need to know the HIPPS code, along with the CBSA and number of visits. Enter the HIPPS code (rather than the HHRG in Cell G14). You need to enter the **CBSA** code in cell **C3.**

CBSA: Reflects all the CBSA's in the Country.

HIPPS Code Ref: This table can be useful in correlating the HHRG to the HIPPS code.

2% Sequestration: All of the rate computations reflect the reimbursement rates before the 2% reduction.