

An Overview of the CY 2019 Home Health Prospective Payment System Rate Update for Medicare Programs

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The purpose of this paper is to discuss an overview of the new updated Medicare HH PPS rates for CY 2019. For Medicare covered home health services beginning January 1, 2019, this proposed rule titled “Medicare and Medicaid Programs: CY 2019 Home Health Prospective Payment System Rate Update” discusses the new changes for the HHPPS payment rates. This proposed CY 2019 rule includes the proposed current changes to the 60-day episode payment rates, the national per-visit rates, the non-routine medical supplies (NRS) conversion factor, and case-mix weights.

Keywords: HHPPS, HHPPS accounting, Home Health, Medicare

HH PPS STANDARDIZED NATIONAL 60-DAY EPISODE RATE

Beginning October 1, 2000, as required by the Balanced Budget Act (BBA) of 1997 and its related amendments, BBA changed the way it reimbursed home health agencies for Medicare covered home health services using a new reimbursement method called the Home Health Prospective Payment System (HH PPS). Under HHPPS, all home health costs for Medicare covered services including medical supplies are paid using a basic unit of payment known as the 60-Day Episode. This HHPPS 60-day payment rate included the six home health service disciplines (skilled nursing, physical therapy, occupational therapy, speech therapy, home health aide, and medical social services). For home health services beginning October 1, 2000, Medicare computed the first HHPPS standardized national 60-day episode rate of \$ 2,115.30 as presented by the following table (1) (HHPPS 1999).

**TABLE 1
FY 2000 STANDARDIZED NATIONAL 60-DAY EPISODE PAYMENT CALCULATION**

HHA discipline Type / Non-Routine Supplies (NRS)	Average cost per visit from PPS audit sample / Average cost per episode (NRS...)	Average number of visits for episodes with >4 visits from CY 98 episode file	HHA prospective payment rate
Skilled Nursing	\$94.96	14.08	\$1,337.00
Home Health Aide	\$41.75	13.4	\$559.45
Physical Therapy	\$104.05	3.05	\$317.35
Occupational Therapy	\$104.76	.53	\$55.52
Medical Social Service	\$153.59	.32	\$49.15
Speech Therapy	\$113.26	.18	\$20.39
NRS - cost report	\$43.54		\$43.54
NRS – Part B	\$6.08		\$6.08
Part B Therapies	\$17.67		\$17.67
Initial OASIS cost	\$5.50		\$5.50
Cont'd OASIS cost	\$4.32		\$4.32
			\$2,416.01

Total non-standardized payment	Standardized factor - wage index & case-mix	Budget neutrality factor	Outlier adjustment factor	Final standardized 60-day episode rate Oct. 2000
\$2,416.01	/.96184	* .88423	/ 1.05	\$2,115.30

The standardized 60-day episode payment rate was further updated for each of the following years as noted on table (2) below (HHPPS 2001; HHPPS 2002).

**TABLE 2
NATIONAL STANDARDIZED HHPPS EPISODE UPDATED FY 2001-2003**

National 60-Day Episode Rate Amount Updated FY 2001- 2003 For Episodes Ending Between	National standardized 60-day episode rate
October 1, 2001- September 30, 2002	\$ 2,274.17
October 1, 2002 - September 30, 2003	\$ 2,159.39

MEDICARE PRESCRIPTION DRUG, IMPROVEMENT AND MODERNIZATION ACT OF 2003

The Medicare Prescription Drug, Improvement and Modernization Act of 2003(DIMA) updated the national home health standard prospective payment system (HHPPS) rates for 60-day episodes ending October 1, 2003-December 31, 2004 and the bill required updated payment increases to be computed on a calendar year basis beginning January 1, 2005. The following table (3) reflects the updated standardized 60-day episode rates that was required by the 2003 DIMA for the following periods (Medicare Prescription 2003); (HHPPS 2004; 2005; 2006).

**TABLE 3
HHPPS NATIONAL STANDARDIZED 60-DAY EPISODE RATES UPDATED BY DIMA**

MSA (Metropolitan Service Area) Episodes Ending Between	MSA National standardized 60-day episode rate (DIMA)
October 1, 2003 - March 31, 2004	\$ 2,230.65
April 1, 2004 - December 31, 2004	\$ 2,213.37
January 1, 2005 - December 31, 2005	\$ 2,264.28
January 1, 2006 - December 31, 2006	\$ 2,327.68
January 1, 2007 – December 31, 2007	\$ 2,339.00

HHPPS NATIONAL 60-DAY EPISODE PAYMENT RATE FOR EPISODES BEGINNING IN CY 2008

For 60-day episodes beginning in 2008, the Medicare HHPPS national standardized rate was updated by a new 153 case mix grouping called home health resource groups (HHRGs) and a new wage index value was determined by the site of the home health services. The August 29, 2008 (72 FR 49792) and November 30, 2008 (72 FR 67656) Federal Registers discussed the new changes under the “Home Health Prospective Payment System Refinement and Rate Update For Calendar Year 2008” rule which included the adjustments to the rebasing and revising of the home health market basket, resulting in new labor portion percentage of 77.082 and non-labor portion percentage of 22.918; this rule updated the LUPA (Low Utilization Payment Adjustments) per-visit payment rate, and the inclusion of an new additional payment for NRS (Non-Routine Supplies) (HHPPS 2008). The following table (4) reflects the calculations used to update the national standardized payment rate under the Medicare HHPPS for 60-day episodes beginning and ending CY 2008 (HHPPS 2008).

**TABLE 4
CY 2008 MEDICARE HHPPS NATIONAL 60-DAY EPISODE STANDARDIZED PAYMENT RATE**

CY 2007 National Standardized 60-day episode payment rate	Multiplied by the Home Health Market Update 3.0 percent	Multiplied by outlier adjusted national payment rate	Adjustments for LUPA, SCIC, NRS, Outliers, and 0.0275 reduction for case mix changes	HH PPS CY 2008 National 60-Day Standardized Episode Payment Rate
\$ 2,339.00	X 1.030	X 1.05	-259.31	\$ 2,270.32

**WEIGHTS FOR NON-ROUTINE MEDICAL SUPPLIES (NRS)—SIX-GROUP APPROACH
EFFECTIVE CY 2008**

The Home Health Prospective Payment System Refinement and Rate Update for Calendar Year 2008 included an additional payment for Non-Routine Supplies (NRS). The NRS payment amounts were computed by multiplying the relative weight for a particular severity level by the NRS conversion factor. The NRS conversion factor was updated by the home health market basket update of 2.9 percent and reduced by the 2.75 percent reduction. The CY 2008 NRS conversion factor for was \$52.35. The following table (5) computed the new additional payment for NRS (Non-Routine Supplies) incurred in home health services for CY 2008 60-day episodes. The additional payment amount was based on the severity level of the patient care (HHPPS 2008).

**TABLE 5
CY 2008 ADDITIONAL PAYMENT FOR NRS**

Severity Level	Points Scoring	Relative Weight	Conversion Factor	Payment Amount
1	0	0.2698	\$ 52.35	\$ 14.12
2	1 – 14	0.9742	52.35	51.00
3	15-27	2.6712	52.35	139.84
4	28-48	3.9686	52.35	207.76
5	49-98	6.1198	52.35	320.37
6	99+	10.5254	52.35	551.00

**HOME HEALTH PROSPECTIVE PAYMENT SYSTEM UPDATES TO THE NATIONALIZED
STANDARDIZED 60-DAY PAYMENT RATES**

The following table (6) reflects the HHPPS updates to the nationalized 60-day episode payment rates for each of the following years (excluding NRS): (HHPPS 2009; 2010; 2011; 2012; 2013; 2014; 2015; 2016; 2017).

**TABLE 6
NATIONAL 60-DAY EPISODE AMOUNTS UPDATED FOR CALENDAR YEARS 2009-2018**

MSA (Metropolitan Service Area) Episodes Ending Between	MSA National standardized 60-day episode rate
January 1, 2009 - December 31, 2009	\$ 2,271.92
January 1, 2010 - December 31, 2010	\$ 2,312.94
January 1, 2011 – December 31, 2011	\$ 2,192.07
January 1, 2012 – December 31, 2012	\$ 2,112.37
January 1, 2016 – December 31, 2016	\$ 2,112.37
January 1, 2013 – December 31, 2013	
January 1, 2014 – December 31, 2014	\$ 2,869.27
January 1, 2015 – December 31, 2015	\$ 2,961.38
January 1, 2016 – December 31, 2016	\$ 2,965.12
January 1, 2017 – December 31, 2017	\$ 2,989.97
January 1, 2016 – December 31, 2016	
January 1, 2018 – December 31, 2018	\$ 3,039.64
January 1, 2016 – December 31, 2016	

CY 2019 HOME HEALTH PROSPECTIVE PAYMENT SYSTEM RATE UPDATE FOR MEDICARE SERVICES

For home health services beginning January 1, 2019, the proposed rule titled “Medicare and Medicaid Programs; CY 2019 Home Health Prospective Payment System Rate Update “includes the new proposed national standardized 60-day episode payment rates, the national per-visit rates, and the NRS (non-routine medical supply) payment rates (HH PPS 2019). To calculate the CY 2019 60-day national standardized payment rate, the following adjustments were applied to the CY 2018 national standardized payment rate: a wage index factor of 0.9991; a case-mix budget neutrality factor of 1.0163; and a home health payment update factor of 1.021. The following table (7) reflects the HHPPS national standardized 60-day episode payment rate for CY 2019 (HHPPS 2018).

**TABLE 7
CY 2019 60-DAY EPISODE NATIONAL STANDARDIZED PAYMENT AMOUNT**

CY 2018 60-Day Episode National Payment Standardized	Neutrality Factor Wage Index	Case-Mix Weights	HH CY 2019 Payment Update	CY 2019 National 60-Day Episode Payment Standardized
\$ 3039.64	X .09991	X 1.0163	X 1.021	\$ 3151.22

NATIONAL PER-VISIT PAYMENT AMOUNTS USED TO PAY LUPAS FOR CY 2019

The HHPPS 2019 proposed rule updates the national per-visit rate. This national per-visit rate is used in paying low- utilization payment adjustments (LUPAs). LUPAs are defined as 60-day episodes with four or fewer visits. The payment per- visit amount is based on the type of home health visit or home health service discipline. There are six home health (HH) disciplines as noted on Table 8 below. In determining the CY 2019 national per-visit amounts used for LUPA episodes, the CY 2018 per-visit amounts was calculated for each home health service discipline by the following adjustments: a wage index neutrality factor of 1.0000; and an updated 2019 HH market basket factor of 1.021. The CY 2019 national per-visit rates for each HH discipline is shown below in Table 8 (HHPPS 2018).

**TABLE 8
CY 2019 NATIONAL PER-VISIT HOME HEALTH DISCIPLINE TYPE PAYMENT**

Home Health Discipline Type	Per-Visit Payment CY 2018	Neutrality Factor Wage Index	HH Payment Update CY 2016	Per-Visit Payment Amount CY 2019
Home Health Aide	\$64.94	x 1.0000	x 1.021	\$66.30
Medical Social Services	\$229.86	x 1.0000	x 1.021	\$234.69
Occupational Therapy	\$157.83	x 1.0000	x 1.021	\$161.14
Physical Therapy	\$156.76	x 1.0000	x 1.021	\$160.05
Skilled Nursing	\$143.40	x 1.0000	x 1.021	\$146.41
Speech Pathology	\$170.38	x 1.0000	x 1.021	\$173.96

LOW UTILIZATION PAYMENT ADJUSTMENT (LUPA) ADD-ON FACTORS CY 2019

The Table 8 per-visit rates computed above are before an additional payment is added to the LUPA payment. Beginning in CY 2019, home health agencies with LUPAs payments for episodes billed as the only episode or the initial episode are to be paid an additional amount (Add-on Factor). For CY 2019, the additional amount paid to LUPAs billed as initial episodes in a sequence of adjacent episodes or as the only episode is based on the following three factors: SN 1.8451; PT 1.6700; and SLP 1.6266 (HHPPS 2018).

NON-ROUTINE SUPPLIES (NRS) PAYMENTS CY 2019

Beginning in CY 2008, a new system was implemented to pay for non-routine supplies (NRS) based on 6 severity groups (HHPPS 2008). NRS payment amounts are computed by multiplying the relative weight for a particular severity level by the NRS conversion factor. The NRS conversion factor is to be updated each year. The CY 2019 NRS conversion factor is \$54.14. The proposed payment amounts for NRS in the various severity levels are presented below in Table 9 (HHPPS 2018).

**TABLE 9
CY 2019 NATIONAL STANDARDIZED PAYMENT FOR THE 6-SEVERITY NRS SYSTEM**

Severity Level	Scoring (Points)	Relative Weight	Conversion Factor	Payment Amount NRS
1	0	0.2698	\$54.14	\$14.61
2	1 – 14	0.9742	\$54.14	52.74
3	15 – 27	2.6712	\$54.14	144.62
4	28 – 48	3.9686	\$54.14	214.86
5	49 – 98	6.1198	\$54.14	331.33
6	99+	10.5254	\$54.14	569.85

COMPUTING THE CY 2019 HHPPS 60-DAY EPISODE PAYMENT RATE FOR A HOME HEALTH AGENCY

As stated in the Medicare HHPPS rules effective October 1, 2000, the basic unit of payment is a 60-day episode national, standardized rate. This standardized rate is adjusted for by a case-mix weight and a wage index value based on the site of service. To help account for geographical wage differences, a part of the wage index value is applied to a labor related portion and non-labor related portion. The example below demonstrates a sample computation using the national home health standardized prospective payment system (HHPPS) rates for the 60-day episodes beginning CY 2019. The example computation includes the CY 2019 case-mix weights for a city with the Core Based Statistical Area (CBSA) codes for labor wage indexes. The wage index is adjusted with the labor portion of 76.1 percent and the non-labor portion of 23.9 percent. The NRS payment is included in the final computation (HHPPS 2018). The total 2019 HHPPS payment a home health agency receives for providing Medicare covered services in Corpus Christi, Texas based on the information below amounts to \$ 1,653.42.

	Corpus Christi, <u>Texas</u>
1. CBSA Number Site of Service (See Table 10)	18580
2. HHRG C1F1S1 Case Mix Weight (See Table 11)	0.5459
3. Non-Routine Severity Level	1
4. 2019 National 60 Day PPS Rate (See Table 7)	\$ 3,151.22
5. HHRG Weight C1F1S1 (See Table 11)	0.5459
6. Case Mix Adjusted PPS (Line 4 * Line 5)	\$ 1,720.25
7. Labor Rate Percentage	0.761
8. CBSA Labor Wage Index – 18580 (See Table 10)	0.9378
9. CBSA Labor Wage Adjusted Rate PPS (Line 6 * Line 7 * Line 8)	\$ 1,227.68
10. National PPS Rate -Non Labor %	0.239
11. Case Mix PPS Rate - Non Labor Rate% (Line 6 * Line 10)	\$ 411.13
12. Adjusted PPS Rate (Line 9 + Line 11) Non-Routine Supply Add On	\$ 1,638.81
13. NRS Conversion Rate (See Table 9)	\$54.14
14. Severity Level Weighted Adjustment	0.2698
15. Computed NRS Supply Payment (Line 13 * Line 14)	\$14.61
HHPPS Rate with NRS payment (Line 12 + Line 15)	\$ 1,653.42

**TABLE 10
MEDICARE HHPPS CY 2019 WAGE INDEX**

CBSA	Urban Area	Constituent Counties	Proposed CY 2019 Wage Index
18580	Corpus Christi, TX	Aransas County, Texas Nueces County, Texas San Patricio County, Texas	0.9378
18700	Corvallis, OR	Benton County, Oregon	1.0663
18880	Crestview-Fort Walton Beach-Destin, FL	Okaloosa County, Florida Walton County, Florida	0.8795
19060	Cumberland, MD-WV	Allegany County, Maryland Mineral County, West Virginia	0.8506
19124	Dallas-Plano-Irving, TX	Collin County, Texas Dallas County, Texas Denton County, Texas Ellis County, Texas Hunt County, Texas Kaufman County, Texas Rockwall County, Texas	0.9851
19140	Dalton, GA	Murray County, Georgia Whitfield County, Georgia	0.8618

**TABLE 11
HHPPS CY 2019 CASE-MIX WEIGHTS**

Payment group	Description	Clinical, Functional, and Service Levels	CY 2019 Final Case-Mix Weights
10111	1st and 2nd Episodes, 0 to 5 Therapy Visits	C1F1S1	0.5459
10112	1st and 2nd Episodes, 6 Therapy Visits	C1F1S2	0.6801
10113	1st and 2nd Episodes, 7 to 9 Therapy Visits	C1F1S3	0.8143
10114	1st and 2nd Episodes, 10 Therapy Visits	C1F1S4	0.9485
10115	1st and 2nd Episodes, 11 to 13 Therapy Visits	C1F1S5	1.0828
10121	1st and 2nd Episodes, 0 to 5 Therapy Visits	C1F2S1	0.6425
10122	1st and 2nd Episodes, 6 Therapy Visits	C1F2S2	0.7691

* Medicare and Medicaid Programs; CY 2018 Home Health Prospective Payment System Rate Update.

CONCLUSION

Home health agency administrators, supervisors, and financial officers need to calculate and evaluate the Medicare HHPPS payment amounts expected to be received for each of their patients admitted for home health services. These financial administrators should prepare standardized payment tables for each of their sites of services. These tables should reflect the current HHPPS payment amount for a patient assigned a particular payment group within each of the 60-day episode based on the site of service. Under the proposed CY 2019 HHPPS rule, home health agencies are to be reimbursed one total for all home health services, including routine and non-routine medical supplies, provided to their patients within each 60-day episode. Home health agencies need to calculate their per-patient costs for each type of home health service. By obtaining the per-patient cost for each of the different home health services, an agency will be able to determine the total number of visits financially feasible within the 60-day episode.

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