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**SUMMARY OF FINAL HH PPS REFINEMENTS COMPARED TO CURRENT HH PPS PAYMENT SYSTEM**

**Summary of Final HH PPS Refinements Compared to  
Current HH PPS Payment System**

(Glossary of Acronyms can be found at bottom of page)

<b>Current HH PPS</b>	<b>Final Rule with Comments</b>
<u>Home health disciplines included in the National 60-Day Episode rate:</u> <ul style="list-style-type: none"> <li>· Skilled nursing, home health aide, physical therapy, speech-language pathology, occupational therapy, and medical social services</li> </ul>	<u>Home health disciplines included in the National 60-Day Episode rate:</u> <ul style="list-style-type: none"> <li>· Unchanged</li> </ul>
<u>For eligible beneficiaries under a home health plan of care:</u> <ul style="list-style-type: none"> <li>· National 60-day episode prospective payment for covered home health services, adjusted for case mix and wage index</li> <li>· LUPA, SCIC, PEP, and outlier adjustments allowed</li> </ul>	<u>For eligible beneficiaries under a home health plan of care:</u> <ul style="list-style-type: none"> <li>· Unchanged</li> <li>· LUPA, PEP, and outlier adjustments allowed; SCIC adjustment eliminated</li> </ul>
<u>Average case-mix weights per episode:</u> <ul style="list-style-type: none"> <li>· Since the inception of the HH PPS, the increase in the average case mix, nominal case-mix growth (which is the change that is <u>not</u> due to changes in the underlying health status of Medicare home health patient) is 11.75 percent.</li> </ul>	<u>Average case-mix weights per episode:</u> <ul style="list-style-type: none"> <li>· To account for the 11.75 percent increase in the nominal case-mix growth, we are finalizing the proposed 2.75 percent reduction of the national standardized 60-day episode payment rate for first 3 years beginning in 2008 and a 2.71 percent reduction in the fourth year, 2011.</li> </ul>

<p><u>National 60 Day Episode rate</u> <u>(\$2,339.00 for CY 2007)</u></p> <ul style="list-style-type: none"> <li>Includes home health market basket increase (3.3% for CY 2007)</li> <li>Adjusted for case-mix and wage-index</li> </ul>	<p><u>National 60 Day Episode rate (\$2,270.32 for CY 2008)</u></p> <ul style="list-style-type: none"> <li>Includes home health market basket increase (3.0% for CY 2008)</li> <li>Adjusted for case-mix and wage-index, and further adjusted for aggregate changes in case mix for the nominal case-mix growth(2.75 percent reduction per year for the first 3 years, 2008, 2009, and 2010, and 2.71 percent reduction for 2011.</li> </ul>
<p><u>Home health market basket:</u></p> <ul style="list-style-type: none"> <li>Labor portion = 76.775%</li> <li>Non-labor portion = 23.225%</li> </ul>	<p><u>Home health market basket:</u></p> <ul style="list-style-type: none"> <li>Labor portion = 77.082%</li> <li>Non-labor portion = 22.918%</li> </ul>
<p><u>Case-mix regression model:</u></p> <ul style="list-style-type: none"> <li>Single therapy threshold at 10 visits</li> <li>Did not account for the timing of episodes</li> <li>Single equation model for weight calculation, with a single set of case mix scores and single therapy threshold</li> </ul>	<p><u>Case-mix regression model:</u></p> <ul style="list-style-type: none"> <li>Therapy thresholds at 6, 14, and 20 visits</li> <li>Accounts for early episodes (the first or second episode in a sequence of adjacent episodes) and later episodes (third or subsequent episodes in a sequence of adjacent episodes), regardless of whether the same home health agency provided care for the entire series of episodes.</li> <li>Four-equation model for weight calculation with scores allowed to vary by episode type and with classification of episodes as follows: <ul style="list-style-type: none"> <li>1) &lt; 14 therapy visits occurring in early episode;</li> <li>2) × 14 therapy visits occurring in early episode;</li> <li>3) &lt; 14 therapy visits occurring in later episode;</li> <li>4) × 14 therapy visits occurring in</li> </ul> </li> </ul>

<ul style="list-style-type: none"> <li>· Model r-squared = 0.29, initial episodes, .21 total episodes</li> <li>· Large increase in payment for delivering at least 10 therapy visits in a 60-day episode</li> <li>· 80 case-mix groups</li> </ul>	<p>later episode</p> <ul style="list-style-type: none"> <li>· Model r-squared = 0.45</li> <li>· Gradual increase in payment between first and third therapy thresholds</li> <li>· 153 case-mix groups</li> </ul>
<p><u>Case-mix model variables:</u></p> <ul style="list-style-type: none"> <li>· <u>M0110 did not exist</u></li> <li>· Included M0175 (inpatient facility discharge), M0530 (incontinence) &amp; M0610 (behaviors observed)</li> <li>· Excluded M0800 (injectible medications)</li> <li>· Included M0230/240</li> <li>· Included M0245</li> <li>· M0825: included (exists as a yes/no question as to whether or not the projected number of therapy visits for the episode meet the threshold for a Medicare high-therapy case mix group)</li> <li>· Scores not given for infected surgical wounds, abscesses, chronic ulcers, gangrene, dysphagia, tracheostomy, cystostomy</li> <li>· Did not include gastrointestinal, pulmonary, cardiac, hypertension, cancer, blood disorders, or affective and other psychoses diagnosis groups</li> <li>· Points not given for secondary</li> </ul>	<p><u>Case-mix model variables:</u></p> <ul style="list-style-type: none"> <li>· <u>Creates M0110 for new item to identify early and later episodes</u></li> <li>· Excludes M0175, M0530 M0440&amp; M0610</li> <li>· Adds M0800</li> <li>· Modifies format of M0230/240 to accommodate changes to payment diagnoses</li> <li>· M0246 replaces M0245 and now allows for multiple coding for both primary and secondary diagnoses</li> <li>· Includes M0826 and replaces M0825 (identifies the number of projected therapy visits for the episode, which affects the particular case-mix group for which that episode will be grouped)</li> <li>· Includes scores for infected surgical wounds, abscesses, chronic ulcers, gangrene, dysphagia, tracheostomy, and cystostomy.</li> <li>· Adds gastrointestinal, pulmonary, cardiac, hypertension, cancer, blood disorders, and affective and other psychoses diagnosis groups</li> <li>· Assigns points for some secondary diagnoses</li> </ul>

<p>diagnoses</p> <ul style="list-style-type: none"> <li>Points not given for combinations of conditions in the same episode</li> </ul>	<ul style="list-style-type: none"> <li>Assigns points for some combinations of conditions in the same episode</li> </ul>
<p><u>Wage Index:</u></p> <ul style="list-style-type: none"> <li>Routine update based on most recently available pre-floor/pre-reclassified hospital wage index</li> </ul>	<p><u>Wage Index:</u></p> <ul style="list-style-type: none"> <li>Unchanged</li> </ul>
<p><u>Non-routine supplies (NRS):</u></p> <ul style="list-style-type: none"> <li>Included in national episode rate as a fixed amount of \$49.62, updated annually as part of the national episode rate</li> <li>Case-mix adjusted as part of the national 60-day episode rate</li> <li>Updated annually, as part of the national episode rate, by the home health market basket factor</li> </ul>	<p><u>Non-routine supplies (NRS):</u></p> <ul style="list-style-type: none"> <li>Based on a NRS conversion factor of \$52.35. (The original \$49.62 from the July 3, 2000 final rule, updated to 2008, adjusted to account for the outlier target of 5%, and adjusted for the nominal change in case-mix)</li> <li>Case-mix adjusted separately based on 6 NRS severity groups payments ranges from \$14.12 to \$551 per episode</li> <li>Unchanged</li> </ul>
<p><u>LUPA Adjustment:</u></p> <ul style="list-style-type: none"> <li>Calculated if episode has 4 or fewer visits</li> <li>No additional payment for LUPA episodes that occur as the first or only episode during a period of home health benefit use</li> </ul>	<p><u>LUPA Adjustment :</u></p> <ul style="list-style-type: none"> <li>Unchanged</li> <li>Additional \$87.93 for LUPA episodes that occur as the only episode or the first episode of a sequence of adjacent episodes; to be updated annually by the home health market basket</li> </ul>
<p><u>PEP adjustment calculation:</u></p> <ul style="list-style-type: none"> <li>Allowed for partial episodes</li> </ul>	<p><u>PEP adjustment calculation:</u></p> <ul style="list-style-type: none"> <li>Unchanged</li> </ul>
<p><u>Outlier adjustment:</u></p> <ul style="list-style-type: none"> <li>Fixed dollar loss ratio = 0.67</li> <li>Loss-sharing ratio = 0.80</li> <li>Outlier expenditure target = 5 percent of total home health PPS</li> </ul>	<p><u>Outlier adjustment:</u></p> <ul style="list-style-type: none"> <li>Fixed dollar loss ratio = 0.89</li> <li>Unchanged</li> <li>Unchanged</li> </ul>

payments	
<u>Quality Data Reporting:</u> <ul style="list-style-type: none"> <li>• Report data on 10 quality measures</li> <li>• HHAs that do not submit quality data subject to 2 percent reduction in home health market basket percentage increase for the next year</li> </ul>	<u>Quality Data Reporting:</u> <ul style="list-style-type: none"> <li>• Report data on 12 quality measures</li> <li>• Unchanged</li> </ul>
<u>Average case-mix under the current case-mix system, based on 20% sample of 2005 data:</u> <ul style="list-style-type: none"> <li>• Proprietary agencies: 1.2821</li> <li>• Voluntary non-profit agencies: 1.1875</li> <li>• Rural agencies: 1.2047</li> <li>• Urban agencies: 1.2520</li> </ul>	<u>Average case-mix under the revised case-mix system, based on a 20% sample of 2005 data:</u> <p>Proprietary agencies: 1.2620</p> <p>Voluntary non-profit agencies: 1.2334</p> <p>Rural agencies: 1.1798</p> <p>Urban agencies: 1.2616</p>

### Glossary of Acronyms

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LUPA = Low utilization payment adjustment

SCIC = Significant changes in condition

PEP = Partial episode payment