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3. Home Health Outlier Payments: Clinical Example

In recent months, concerns regarding the provision of home health care for

Medicare patients with chronic, complex conditions have been raised by stakeholders as well as the press.^{16,17,18,19} News stories and anecdotal reports indicate that Medicare patients with chronic conditions may be encountering difficulty in accessing home health care if the goal of home health care is to maintain or prevent further decline of the patient's condition rather than improvement of the patient's condition. While patients must require skilled care to be eligible to receive services under the Medicare home health benefit, as outlined in regulation at 42 CFR 409.42(c), we note that coverage does not turn on the presence or absence of an individual's potential for improvement, but rather on the beneficiary's need for skilled care. Skilled care is covered where such services are necessary to maintain the patient's current condition or prevent or slow further deterioration so long as the beneficiary requires skilled care for the services to be safely and effectively provided. Additionally, there appears to be confusion among the HHA provider community regarding possible Medicare payment through the HH PPS, as it appears that some perceive that payment is somewhat fixed and not able to account for home health stays with higher costs.

The news stories referenced an individual with amyotrophic lateral sclerosis (ALS), also known as Lou Gehrig's disease, and the difficulties encountered in finding Medicare home health care. Below we describe a clinical example of how care for a patient with ALS could qualify for an additional outlier payment, which would serve to offset unusually high costs associated with providing home health to a patient with

16 <https://www.npr.org/sections/health-shots/2018/01/17/578423012/home-care-agencies-often-wrongly-deny-medicare-help-to-the-chronically-ill>

17 <http://www.alsa.org/als-care/resources/fyi/medicare-and-home-health-care.html>

18 <https://patientworthy.com/2018/01/31/chronically-ill-are-being-denied-medicare-coverage-by-home-care-agencies/>

19 <https://alsnewstoday.com/2018/05/09/als-medicare-cover-home-healthcare/>

unusual variations in the amount of medically necessary care. This example, using payment policies in place for CY 2018, is provided for illustrative purposes only. We hope that in providing the example below, which illustrates how HHAs could be paid by Medicare for providing care to patients with higher resource use in their homes, and by reiterating that the patient's condition does not need to improve for home health services to be covered by Medicare, that there will be a better understanding of Medicare coverage policies and how outlier payments promote access to home health services for such patients under the HH PPS.

a. Clinical Scenario

Amyotrophic Lateral Sclerosis (ALS) is a progressive neuromuscular degenerative disease. The incidence rates of ALS have been increasing over the last few decades, and the peak incidence rate occurs at age 75.²⁰ The prevalence rate of ALS in the United States is 4.3 per 100,000 population.²¹ Half of all people affected with ALS live at least 3 or more years after diagnosis. Twenty percent live 5 years or more; up to 10 percent will live more than 10 years.²² Because of the progressive nature of this disease, care needs change and generally intensify as different body systems are affected. As such, patients with ALS often require a multidisciplinary approach to meet their care needs.

The clinical care of a beneficiary with ALS typically includes the ongoing assessment of and treatment for many impacts to the body systems. As a part of a home health episode, a skilled nurse could assess the patient for shortness of breath, mucus

20 Worms PM, The epidemiology of motor neuron diseases: a review of recent studies. *J Neurol Sci.* 2001;191(1-2):3.

21 Mehta P, Prevalence of Amyotrophic Lateral Sclerosis - United States, 2012-2013. *MMWR Surveill Summ.* 2016;65(8):1. Epub 2016 Aug 5.

22 <http://www.alsa.org>

secretions, sialorrhea, pressure sores, and pain. From these assessments, the nurse could speak with the doctor about changes to the care plan. A nurse's aide could provide assistance with bathing, dressing, toileting, and transferring. Physical therapy services could also help the patient with range of motion exercises, adaptive transfer techniques, and assistive devices in order to maintain a level of function.

The following is a description of how the provision of services per the home health plan of care could emerge for a beneficiary with ALS who qualifies for the Medicare home health benefit. We note that this example is provided for illustrative purposes only and does not constitute a specific Medicare payment scenario.

b. Example One: Home Health Episodes 1 and 2

A beneficiary with ALS may be assessed by a physician in the community and subsequently be deemed to require home health services for skilled nursing, physical therapy, occupational therapy, and a home health aide. The beneficiary could receive skilled nursing twice a week for 45 minutes to assess dyspnea when transferring to a bedside commode, stage two pressure ulcer at the sacrum, and pain status. In addition, a home health aide could provide services for three hours in the morning and three hours in the afternoon on Monday, Wednesday, and Friday and two and a half hours in the morning and 2.5 hours in the afternoon on Tuesday and Thursdays to assist with bathing, dressing, and transferring. Physical therapy services twice a week for 45 minutes could be provided for adaptive transfer techniques, and occupational therapy services could be supplied twice a week for 45 minutes for assessment and teaching of assistive devices for activities of daily living to prevent or slow deterioration of the patient's condition. Given the patient's clinical presentation, for the purpose of this specific example, we will assign

the patient payment group 40331 (C3F3S1 with 20+ therapy visits).

For the purposes of this example, we assume that services are rendered per week for a total of 8 weeks per home health episode. For both the first and second home health episodes of care, the calculation to determine outlier payment utilizing payment amounts and case mix weights for CY 2018, as described in the CY 2018 HH PPS final rule (82 FR 51676), would be as follows, per 60-day episode:

TABLE 27: CLINICAL SCENARIO CALCULATION TABLE: EPISODES 1 & 2

HH Outlier - CY 2018 Illustrative Values	Value	Operation	Adjuster	Equals	Output
National, Standardized 60-day Episode Payment Rate	\$3,039.64				
Case-Mix Weight for Payment Group 4.0331(for C3F3S1 for 20+ therapy)	2.1359				
Case-Mix Adjusted Episode Payment Amount	\$3,039.64	*	2.1359	=	\$6,492.37
Labor Portion of the Case-Mix Adjusted Episode Payment Amount	\$6,492.37	*	0.78535	=	\$5,098.78
Non-Labor Portion of the Case-Mix Adjusted Episode Payment Amount	\$6,492.37	*	0.21465	=	\$1,393.59
Wage Index Value (Beneficiary resides in 31084, Los Angeles-Long Beach-Glendale, CA)	1.2781				
Wage-Adjusted Labor Portion of the Case-Mix Adjusted Episode Payment Amount	\$5,098.78	*	1.2781	=	\$6,516.75
NRS Payment Amount (Severity Level 2)	\$51.66			=	\$51.66
Total Case-Mix and Wage-Adjusted Episode Payment Amount (Wage-Adjusted Labor Portion plus Non-Labor Portion of the Case-Mix Adjusted Episode Payment Amount plus the NRS Amount)				=	\$7,962.00
Total Wage-Adjusted Fixed Dollar Loss Amount					
Fixed Dollar Loss Amount (National, Standardized 60-day Episode Payment Rate*FDL Ratio)	\$3,039.64	*	0.55	=	\$1,671.80
Labor Portion of the Fixed Dollar Loss Amount	\$1,671.80	*	0.78535	=	\$1,312.95
Non-Labor Amount of the Fixed Dollar Loss Amount	\$1,671.80	*	0.21465	=	\$358.85
Wage-Adjusted Fixed Dollar Loss Amount	\$1,312.95	*	1.2781	=	\$1,678.08
Total Wage-Adjusted Fixed Dollar Loss Amount (Wage-Adjusted Labor Portion plus Non-Labor Portion of the Case-Mix Adjusted Fixed Dollar Loss Amount)	\$1,678.08	+	\$358.85	=	\$2,036.93
Total Wage-Adjusted Imputed Cost Amount					
National Per-Unit Payment Amount - Skilled Nursing	\$48.01				
Number of 15-minute units (45 minutes = 3 units twice per week for 8 weeks)	48				
Imputed Skilled Nursing Visit Costs (National Per-Unit Payment Amount * Number of Units))	\$48.01	*	48	=	\$2,304.48
National Per-Unit Payment Amount - Home Health Aide	\$15.46				
Number of 15-minute units (28 hours per week = 112 units per week for 8 weeks)	896				
Imputed Home Health Aide Costs (National Per-Unit Payment Amount * Number of Units)	\$15.46	*	896	=	\$13,852.16
National Per-Unit Payment Amount – Occupational Therapy (OT)	\$50.26				
Number of 15-minute units (45 minutes = 3 units twice per week for 8 weeks)	48				
Imputed OT Visit Costs (National Per-Unit Payment Amount * Number of Units)	\$50.26	*	48	=	\$2,412.48
National Per-Unit Payment Amount - Physical Therapy (PT)	\$50.46				
Number of 15-minute units (45 minutes = 3 units twice per week for 8 weeks)	48				
Imputed PT Visit Costs (National Per-Unit Payment Amount * Number of Units)	\$50.46	*	48	=	\$2,422.08
Total Imputed Cost Amount for all Disciplines				=	\$20,991.20
Labor Portion of the Imputed Costs for All Disciplines	\$20,991.20	*	0.78535	=	\$16,485.44
Non-Labor Portion of Imputed Cost Amount for All Disciplines	\$20,991.20	*	0.21465	=	\$4,505.76
CBSA Wage Index (Beneficiary resides in 31084, Los Angeles-Long Beach-Glendale, CA)	1.2781				
Wage-Adjusted Labor Portion of the Imputed Cost Amount for All Disciplines	\$16,485.44	*	1.2781	=	\$21,070.04

HH Outlier - CY 2018 Illustrative Values	Value	Operation	Adjuster	Equals	Output
Total Wage-Adjusted Imputed Cost Amount (Wage-Adjusted Labor Portion of the Imputed Cost Amount plus Non-Labor Portion of the Imputed Cost Amount)	\$21,070.04	+	\$4,505.76	=	\$25,575.80
Total Payment Per 60-Day Episode					
Outlier Threshold Amount (Total Wage-Adjusted Fixed Dollar Loss Amount + Total Case-Mix and Wage-Adjusted Episode Payment Amount)	\$2,036.93	+	\$7,962.00	=	\$9,998.93
Total Wage-Adjusted Imputed Cost Amount - Outlier Threshold Amount (Total Wage-Adjusted Fixed Dollar Loss Amount + Total Case-Mix and Wage-Adjusted Episode Payment Amount)	\$25,575.80	-	\$9,998.93	=	\$15,576.87
Outlier Payment = Imputed Costs Greater Than the Outlier Threshold * Loss-Sharing Ratio (0.80)	\$15,576.87	*	0.80	=	\$12,461.50
Total Payment Per 60-Day Episode = Total Case-Mix and Wage-Adjusted Episode Payment Amount + Outlier Payment	\$7,962.00	+	\$12,461.50	=	\$20,423.49

For Episodes 1 and 2 of this clinical scenario, the preceding calculation illustrates how HHAs are paid by Medicare for providing care to patients with higher resource use in their homes.

c. Example Two: Home Health Episodes 3 and 4

ALS is a progressive disease such that the patient would most likely need care beyond a second 60-day HH episode. A beneficiary's condition could become more complex, such that the patient could require a gastrostomy tube, which could be placed during a hospital stay. The patient could be discharged to home for enteral nutrition to maintain weight and continuing care for his/her stage two pressure ulcer. Given the complexity of the beneficiary's condition in this example, the episode could remain at the highest level of care C3F3S1 and would now fit into equation 4.

For the purposes of this example, we assume that services are rendered per week for a total of 8 weeks per home health episode. For both the third and fourth home health episodes of care, the calculation to determine outlier payment utilizing payment amounts and case mix weights for CY 2018 as described in as described in the CY 2018 HH PPS final rule (82 FR 51676) would be as follows, per 60-day episode:

TABLE 28: CLINICAL SCENARIO CALCULATION: EPISODES 3 AND 4

HH Outlier - CY 2018 Illustrative Values	Value	Operation	Adjuster	Equals	Output
National, Standardized 60-day Episode Payment Rate	\$3,039.64				

Case-Mix Weight for Payment Group 4.0331(for C3F3S1 for 20+ therapy)	2.1359				
Case-Mix Adjusted Episode Payment Amount	\$3,039.64	*	2.1359	=	\$6,492.37
Labor Portion of the Case-Mix Adjusted Episode Payment Amount	\$6,492.37	*	0.78535		\$5,098.78
Non-Labor Portion of the Case-Mix Adjusted Episode Payment Amount	\$6,492.37	*	0.21465	=	\$1,393.59
Wage Index Value (Beneficiary resides in 31084, Los Angeles-Long Beach-Glendale, CA)	1.2781				
Wage-Adjusted Labor Portion of the Case-Mix Adjusted Episode Payment Amount	\$5,098.78	*	1.2781	=	\$6,516.75
NRS Payment Amount (Severity Level 2)	\$324.53			=	\$324.53
Total Case-Mix and Wage-Adjusted Episode Payment Amount (Wage-Adjusted Labor Portion plus Non-Labor Portion of the Case-Mix Adjusted Episode Payment Amount plus the NRS Amount)				=	\$8,234.87
Total Wage-Adjusted Fixed Dollar Loss Amount					
Fixed Dollar Loss Amount (National, Standardized 60-day Episode Payment Rate*FDL Ratio)	\$3,039.64	*	0.55	=	\$1,671.80
Labor Portion of the Fixed Dollar Loss Amount	\$1,671.80	*	0.78535	=	\$1,312.95
Non-Labor Amount of the Fixed Dollar Loss Amount	\$1,671.80	*	0.21465	=	\$358.85
Wage-Adjusted Fixed Dollar Loss Amount	\$1,312.95	*	1.2781	=	\$1,678.08
Total Wage-Adjusted Fixed Dollar Loss Amount (Wage-Adjusted Labor Portion plus Non-Labor Portion of the Case-Mix Adjusted Fixed Dollar Loss Amount)	\$1,678.08	+	\$358.85	=	\$2,036.93
Total Wage-Adjusted Imputed Cost Amount					
National Per-Unit Payment Amount - Skilled Nursing	\$48.01				
Number of 15-minute units (45 minutes = 3 units twice per week for 8 weeks)	48				
Imputed Skilled Nursing Visit Costs (National Per-Unit Payment Amount * Number of Units)	\$48.01	*	48	=	\$2,304.48
National Per-Unit Payment Amount - Home Health Aide	\$15.46				
Number of 15-minute units (28 hours per week = 112 units per week for 8 weeks)	896				
Imputed Home Health Aide Costs (National Per-Unit Payment Amount * Number of Units)	\$15.46	*	896	=	\$13,852.16
National Per-Unit Payment Amount – Occupational Therapy (OT)	\$50.26				
Number of 15-minute units (45 minutes = 3 units twice per week for 8 weeks)	48				
Imputed OT Visit Costs (National Per-Unit Payment Amount * Number of Units)	\$50.26	*	48	=	\$2,412.48
National Per-Unit Payment Amount - Physical Therapy (PT)	\$50.46				
Number of 15-minute units (45 minutes = 3 units twice per week for 8 weeks)	48				
Imputed PT Visit Costs (National Per-Unit Payment Amount * Number of Units)	\$50.46	*	48	=	\$2,422.08
Total Imputed Cost Amount for all Disciplines				=	\$20,991.20
Labor Portion of the Imputed Costs for All Disciplines	\$20,991.20	*	0.78535	=	\$16,485.44
Non-Labor Portion of Imputed Cost Amount for All Disciplines	\$20,991.20	*	0.21465	=	\$4,505.76
CBSA Wage Index (Beneficiary resides in 31084, Los Angeles-Long Beach-Glendale, CA)	1.2781				
Wage-Adjusted Labor Portion of the Imputed Cost Amount for All Disciplines	\$16,485.44	*	1.2781	=	\$21,070.04
Total Wage-Adjusted Imputed Cost Amount (Wage-Adjusted Labor Portion of the Imputed Cost Amount plus Non-Labor Portion of the Imputed Cost Amount)	\$21,070.04	+	\$4,505.76	=	\$25,575.80
Total Payment Per 60-Day Episode					
Outlier Threshold Amount (Total Wage-Adjusted Fixed Dollar Loss Amount + Total Case-Mix and Wage-Adjusted Episode Payment Amount)	\$2,036.93	+	\$8,234.87	=	\$10,271.80
Total Wage-Adjusted Imputed Cost Amount - Outlier Threshold Amount (Total Wage-Adjusted Fixed Dollar Loss Amount + Total Case-Mix and Wage-Adjusted Episode Payment Amount)	\$25,575.80	-	\$10,271.80	=	\$15,304.00
Outlier Payment = Imputed Costs Greater Than the Outlier Threshold * Loss-Sharing Ratio (0.80)	\$15,304.00	*	0.80	=	\$12,243.20

Total Payment Per 60-Day Episode = Total Case-Mix and Wage-Adjusted Episode Payment Amount + Outlier Payment	\$12,243.20	+	\$8,234.87	=	\$20,478.07
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For Episodes 3 and 4 of this clinical scenario, the above calculation demonstrates how outlier payments could be made for patients with chronic, complex conditions under the HH PPS. We reiterate that outlier payments could provide payment to HHAs for those patients with higher resource use and that the patient's condition does not need to improve for home health services to be covered by Medicare. We appreciate the feedback we have received from the public on the outlier policy under the HH PPS and look forward to ongoing collaboration with stakeholders on any further refinements that may be warranted. We note that this example is presented for illustrative purposes only, and is not intended to suggest that all diagnoses of ALS should receive the grouping assignment or number of episodes described here. The CMS Grouper assigns these groups based on information in the OASIS.