

## OASIS Alert

### HHRG: RESOURCE GROUPS NEARLY DOUBLE

**Current "losers" may soon be "winners."**

Home health agencies will need to scramble to understand the new home health resource group calculation before it begins to cost them money.

In its prospective payment system refinement efforts, the **Centers for Medicare and Medicaid Services**--through contractor **Abt Associates**--examined 20 percent of the Medicare home health claims from 2001 through 2004, matching these with the related OASIS assessments and Medicare cost reports.

**Old fixes not enough:** You may have thought improving your OASIS accuracy and putting money into more accurate diagnosis coding was a good thing. And you thought improving outcomes by using more targeted therapy services was good, too. But not when the average case mix for HHAs increased by 23 percent between 1997 and 2003, the **Centers for Medicare & Medicaid Services** says in the proposed Home Health Prospective Payment System Refinement and Rate Update for Calendar Year 2008 (PPS Update) published May 4 in the Federal Register.

Most of that increase can be attributed to changes in the patient mix and various adjustments in the payment system, CMS notes. But 8.7 percent results from "case mix creep" and upcoding, CMS insists. And the agency proposes cutting HHA rates 2.75 percent each year for three years to make up for that.

#### **Make Your Comments Soon**

Agencies should comment on the proposed case mix payment changes so CMS will know "the real reason for the greatest portion of change in case mix was due to a legitimate learning curve to accurately reflect patients' conditions and true changes in patients' conditions," says clinical consultant **Judy Adams** with Charlotte, NC-based **LarsonAllen**.

**Talking points:** When you comment, provide as much concrete data as possible, such as comparing the rate of change in case mix weight between 2000 and 2003 with the change between 2003 and 2006, Adams suggests. CMS' recommendations are based on the 2000 to 2003 period, which was the time of greatest learning, she notes.

#### **Home Health Resource Groups Nearly Double**

Agencies used to the 80 HHRGs based on the categories of the clinical severity domain, the functional status domain and the service utilization domain will find changes in many aspects of the calculation, although the three categories will still be the basic measures.

The proposed 153 HHRGs result from changes in how therapy services are paid, distinctions in payment between early and late episodes and the addition of new case mix diagnoses.

In the long-expected change to the current 10-visit therapy threshold, CMS proposes a staggered threshold at six, 14 and 20 visits. Further, CMS calls for "smoothing" payments for different visit levels within the three therapy categories, experts explain. When combined with the other case mix change of paying differently for "early" (first and second episode) and "later" (third episode and beyond) visits, the result is a very complicated therapy reimbursement system with 17 therapy categories.

**More changes:** The new case mix model also adds many case mix diagnoses. The proposed rule assigns points for some secondary diagnoses and for some combinations of conditions in the same episode. Scores are also added for

infected surgical wounds, abscesses, chronic ulcers and gangrene, CMS says.

**Bottom line:** These case mix changes will alter the level of reimbursement for HHAs, CMS predicts. The average case mix for non-profits will increase from 1.1404 to 1.1716, while the average for for-profit agencies will decline from 1.2601 to 1.2227, CMS expects.

Meanwhile, urban agencies will see their average case mix increase from 1.2032 to 1.2074, while rural agencies can expect to see a decline in the average case mix from 1.1583 to 1.1417, CMS says.

Note: Comments on the regulation, available at [www.cms.hhs.gov/HomeHealthPPS/downloads/CMS-1541-P.pdf](http://www.cms.hhs.gov/HomeHealthPPS/downloads/CMS-1541-P.pdf), are due by June 26.