

## OASIS Alert

### Prospective Payment System: ARE YOU READY FOR AN ENTIRELY NEW REIMBURSEMENT SYSTEM?

**Don't just complain, comment -- by June 26.**

It may not seem like PPS and OASIS have been very stable in recent years, but the changes you've seen so far are nothing compared to CMS' latest proposal.

As expected, the **Centers for Medicare & Medicaid Services** on April 27 released its massive proposed refinements to the home health prospective payment system. The goal of the rule is to align reimbursement with the resource costs of providing home care, CMS says.

The official rule release was a few days before the May 4 Federal Register publication and comments are due by June 26. For an implementation date of Jan. 1, 2008, the final rule would need to be out by October, experts project.

But even CMS agrees that the January date is ambitious, said **Mark Sharp**, a partner in Springfield, MO-based **BKD**, speaking at a May 17 **Eli**-sponsored audio conference "2007 PPS Refinements: The Decade's Most Significant Changes To PPS."

Stay tuned to see if the final rule is implemented on time as a complete package, partly on time and partly later, or as a package but with a delayed implementation date, Sharp said.

"Although CMS is reporting the rule may result in an additional \$140 million in payments to Medicare home health agencies next year, in the long-term it's likely the changes will negatively affect their financial viability," says **Gary R. Massey**, principal-in-charge of home care at Charlotte, NC-based **LarsonAllen**.

#### Will Complexity Or Accuracy Prevail?

In its efforts to better match reimbursement with episode costs, CMS found several ways to improve the accuracy of the case mix model, Sharp explained. These include:

- Continue to use therapy visits as a predictor of service utilization but use payment gradations to improve effectiveness.
- Expand primary and secondary diagnoses for improved predictive accuracy.
- Consider interactions of diagnoses, manifestations, clinical conditions and co-morbidities in predicting service utilization for the episode.
- Vary rates for early or later episodes.

**Start planning:** Case mix changes are only the beginning, though. Other proposed PPS changes Sharp reviewed include:

- Eliminating the significant change in condition (SCIC) adjustment.
- Increasing payment rates for the low utilization payment adjustment (LUPA).
- Adding five new non-routine medical supplies payment categories (see chart, p. 57).
- Adding two new quality measures to the 10 already publicly reported on Home Health Compare.
- Significant payment changes that many argue may outweigh the refinements.

#### OASIS Changes Reflect Payment Rules

Some minor changes to the OASIS data set are fairly straightforward, such as correcting the wording in one answer to M0810 (Patient management of equipment). Many others are much more significant. Changes often reflect the case mix alterations, such as removing M0610 (Behaviors demonstrated at least once a week) from the follow-up OASIS assessments and adding M0800 (Management of injectable medications).

Studies indicated M0610 didn't contribute to the accuracy of the case mix model and "we believe several additions to our diagnosis groups, namely, two groups of psychiatric diagnoses, account for the contribution of behavioral problems to resource cost variations," CMS says. v

Note: To order a transcript or recording of Mark Sharp's May 17 Eli-sponsored audioconference about the proposed PPS refinements, go to <http://goto.elinetwork.net/go/6766>. To see the proposed rule, go to [www.cms.hhs.gov/HomeHealthPPS/downloads/CMS1541-P.pdf](http://www.cms.hhs.gov/HomeHealthPPS/downloads/CMS1541-P.pdf).