

OASIS Alert

Prospective Payment System: Expect Major Changes To PPS To Take Effect In 2007

COPs are pushed back - again.

Just when you've almost figured out PPS, it's about to change - and therapy is a major target.

The first major overhaul to the prospective payment system will take effect in January 2007, the **Centers for Medicare & Medicaid Services** announced in the **Department of Health and Human Services'** semiannual regulatory agenda, published in the May 16 Federal Register.

CMS plans to publish its proposed rule for these changes in December 2005. Experts consider the January 2007 date an ambitious one, given the lengthy clearance and approval process such changes must undergo at CMS. So 2008 may be a safer bet.

What to expect: While this overhaul doesn't come as a complete surprise, it's sure to significantly affect all home health agencies. A CMS official outlined possible changes at the **National Association for Home Care & Hospice's** policy conference in Washington, DC, according to NAHC's **Mary St. Pierre**. Expected revisions include refining the case-mix (HHRG) categories, changing the therapy threshold, addressing medical supplies, and adjusting reimbursement for subsequent episodes, St. Pierre reports. CMS might change the therapy threshold quite dramatically to take into account patient characteristics rather than the number of therapy visits, she adds.

Therapy targeted: The home care industry has been expecting a PPS refinement - and especially one targeting the significant therapy threshold increase - for years, says Abilene, TX-based reimbursement consultant **Bobby Dusek**. "No one ever tested the HHRGs" or the system overall, Dusek points out.

Because HHAs see an increase of around \$2,000 when they go from furnishing nine to 10 therapy visits, this is a sure-fire area for scrutiny, Dusek says. HHAs have responded to the strong financial incentive by furnishing more therapy visits.

But reimbursement isn't all that has agencies increasing their therapy visits, says **Cindy Krafft**, director of rehabilitation at **OSF Home Care** in Peoria, IL. Home health agencies "are really being held to our outcomes," she says, and therapy helps patients improve or maintain the outcomes measured on Home Health Compare.

If CMS doesn't want to switch away from using a therapy threshold altogether, the agency might make the visit threshold higher (14 visits has been rumored), count therapy minutes (PPS originally called for eight hours instead of 10 visits) or create multiple thresholds (for five to nine visits, 10 to 14 visits, etc.) with more moderate payment increases attached, Dusek suggests.

Recerts: St. Pierre expects CMS to increase reimbursement for PPS episodes following the initial one, but Dusek thinks the agency is more likely to actually decrease subsequent episode payments. That's because often agencies barely exceed the low utilization payment adjustment (LUPA) threshold on the second episode, he says, and administrative expenses are lower.

Watch for: A proposal due out in June will include routine updates to the episode payment and per-visit amounts for fiscal year 2006, CMS says. And don't expect to see new home health conditions of participation anytime soon. CMS proposed the COPs in 1997, but hasn't finalized them yet. Running up against the deadline now, CMS expects to propose them anew in January 2006, the agency reports.

OASIS assessment changes: Don't expect changes to the assessment instrument anytime soon, CMS announced in its May 25 Home Health, Hospice and DME Open Door Forum. The number of providers and organizations weighing in on suggested changes and the need to test changes in agencies first will make this a long process, CMS told agencies

Editor's Note: The HHS semiannual agenda is at www.access.gpo.gov/su_docs/fedreg/a050516c.html.