

## OASIS Alert

### Prospective Payment System: PROPOSED PAY HIKE FAVORS RURAL HHAs

#### **New per-visit rate hits Jan.1.**

Get ready to revise your payment rate estimates - and not all of them will go up.

The **Centers for Medicare & Medicaid Services** has proposed increasing the prospective payment system base rate for a 60-day episode to \$2,320.89 in calendar year 2006, according to a proposed rule published in the July 14 Federal Register. That's 2.5 percent more than the current rate of \$2,264.28. (See chart, for new per-visit rates.)

The inflation update for home health agencies should be 3.3 percent, but the Medicare Modernization Act mandated a 0.8 percent reduction to that figure. The increase will add \$330 million to HHA payments next year, CMS says.

But the biggest change in the 2006 PPS update involves the wage index portion of the rate. The **Office of Management and Budget** issued changes to the labor market area divisions in 2003, and CMS proposes to adopt them for wage index Jan. 1, the rule says.

CMS has no plans to allow HHAs the phase-in period it allows hospitals. And HHAs can't request reclassification into a higher-paying wage index category, as hospitals can.

#### **Pain For Midwest, Gain For New England**

Rural HHAs come out the winners under the new pay proposal. Rural providers overall will see a 3.5 percent payment increase from 2005 to 2006, compared to a 2.3 percent increase for urban providers, CMS estimates. Freestanding rural agencies will see the biggest boost with a predicted 3.7 percent increase.

The lowest rate of increase is in the East and West North Central Regions (IA, IL, IN, KS, MI, MN, MO, NE, ND, OH, SD, WI), where urban providers will see a slight 1.5 percent bump-up next year, CMS says.

The highest boost is in the New England region (CT, ME, MA, NH, RI, VT), where rural providers will see a 5.7 percent increase under the proposal.

Note: The 189-page proposed rule is at [www.cms.hhs.gov/providers/hha/cms1301p.pdf](http://www.cms.hhs.gov/providers/hha/cms1301p.pdf). Comments on the proposal are due Sept. 6.

