

U.S. House and Senate Notification
Tuesday, July 5, 2011

To: Congressional Health Staff

Re: CMS Proposes Payment Changes to Medicare Home Health Services for 2012

The Centers for Medicare & Medicaid Services (CMS) today announced a number of changes to Medicare home health payments for 2012 that will promote greater efficiency and payment accuracy. Combining the effects of a market basket update, a wage index update, and reductions to the home health prospective payment system (HH PPS) rates to account for increases in aggregate case-mix that are unrelated to underlying changes in patients' health status, today's rule proposed a 3.35 percent decrease in Medicare payments to home health agencies (HHAs) for calendar year (CY) 2012.

The Affordable Care Act (ACA) mandates that CMS apply a 1 percentage point reduction to the CY 2012 home health market basket amount, which equates to a proposed 1.5 percent update for HHAs in CY 2012. CMS also proposes to further reduce HH PPS rates in CY 2012 to account for additional growth in aggregate case-mix that is unrelated to changes in patients' health status. Based on the updated data analysis in the proposed rule, CMS proposes to reduce HH PPS rates by 5.06 percent in CY 2012.

The proposed rule also makes structural changes to the HH PPS by removing two hypertension codes from the case-mix system, lowering payments for high therapy episodes, and recalibrating the HH PPS case-mix weights to ensure that these changes result in the same aggregate payments.

In a separate proposed rule announced today, CMS would align the face-to-face encounter requirement for people receiving Medicaid and Medicare home health services as required under Section 6407 of the ACA. The proposed Medicaid rule also clarifies long-standing CMS policy on locations in which home health services may be provided, and facilitates State compliance with the *Olmstead* Supreme Court decision.

Please find attached a press release regarding the two rules proposed today. They are available at: <http://federalregister.gov/inspection.aspx>.

If you have any questions about these proposed rules, please contact the CMS Office of Legislation at 202-690-8220. Thank you.