



Home Health Prospective Payment System: CY 2023 Update

MLN Matters Number: MM12957

Related Change Request (CR) Number: 12957

Related CR Release Date: November 10, 2022 Effective Date: January 1, 2023

Related CR Transmittal Number: R11702CP Implementation Date: January 3, 2023

Related CR Title: Home Health Prospective Payment System (HH PPS) Rate Update for Calendar Year (CY) 2023

Provider Types Affected

This MLN Matters Article is for Home Health Agencies (HHAs) billing Medicare Administrative Contractors (MACs) for home health services they provide to Medicare patients.

Provider Action Needed

Make sure your billing staff knows about these changes:

- CY 2023 30-day period payment rates
- National per-visit amounts
- Cost-per-unit payment amounts used for calculating outlier payments under the Home Health Prospective Payment System (HH PPS)

Background

CMS updates the rates it pays to HHAs for providing HH services annually as Section 1895(b)(3)(B) of the [Social Security Act](#) (the Act) requires.

Market Basket Update

Based on IHS Global Insight Inc.'s third quarter 2022 forecast (with historical data through fourth quarter 2021), the HH market basket percentage increase for CY 2023 is 4.1%, based on Section 1895(b)(3)(B)(iii) of the Act. We reduce that 4.1% increase by a productivity adjustment, as mandated by Section 3401 of the [Affordable Care Act](#). We estimate this reduction at 0.1% for CY 2023. This means that the HH payment update percentage for CY 2023 is a 4.0% increase.

Section 1895(b)(3)(B)(v) of the Act requires us to decrease the home health update by 2% for those HHAs that don't submit quality data. The payment update for these HHAs is 2.0%.

National, Standardized 30-Day Period Payment

As described in the [CY 2023 HH PPS](#) (final rule), we must implement a permanent payment adjustment to the national 30-day payment rate based on the impact of differences between assumed versus actual behavior change, to offset for such increases or decreases in estimated aggregate expenditures. We're implementing a permanent behavior adjustment of -3.925% to prevent further overpayments. The permanent behavior adjustment factor is 0.96075 (1 minus 0.03925). To calculate the CY 2023 national, standardized 30-day period payment rate, we apply:

- A permanent behavioral adjustment factor of 0.96075
- A case-mix weights recalibration budget neutrality factor of 0.9904
- A wage index budget neutrality factor of 1.0001
- The CY 2023 home health payment update increase of 4.0%

We show the 30-day payment rates in [Tables 1 and 2 of CR 12957](#). We further adjust the CY 2023 national, standardized 30-day period payment rates by the:

- Individual period's case-mix weight
- Applicable wage index

National Per-Visit Rates

To calculate the CY 2023 national per-visit rates, we start with the CY 2022 rate. Then, we apply a wage index budget neutrality factor of 1.0007 to maintain budget neutrality for Low-Utilization Payment Adjustment (LUPA) per-visit payments after applying the CY 2023 wage index. We then update the per-visit rates by the CY 2023 HH payment update of 4.0% for HHAs that submit the required quality data and by 2.0% for HHAs that don't submit quality data. The per-visit rates are in [Tables 3 and 4 of CR 12957](#).

Non-Routine Supply Payments (NRS)

NRS is part of the national, standardized 30-day period rate. We pay for DME provided as a home health service using the fee schedule amount, and it isn't included in the national, standardized 30-day period payment amount. This is based on Section 1861(m) of [the Act](#).

Outlier Payments

The Fixed Dollar Loss (FDL) ratio and the loss-sharing ratio used to calculate outlier payments must be selected so that the estimated total outlier payments don't exceed the 2.5% aggregate level based on requirements in Section 1895(b)(5)(A) of the Act. We've used a value of 0.80 for the loss-sharing ratio. With a loss-sharing ratio of 0.80, Medicare pays 80% of the additional estimated costs above the outlier threshold amount. The CY 2023 FDL ratio is 0.35 to make sure the total outlier payments don't exceed 2.5% of the total payments estimated under the HH PPS.

In the CY 2019 HH PPS final rule with comment period ([83 FR 56521](#)), we finalized a policy to maintain the current method for payment of high-cost outliers upon implementation of the Patient-Driven Groupings Model (PDGM) beginning in CY 2020. We calculate payment for high-cost outliers based upon 30-day periods of care. The per-visit rates are in [Table 5 of CR 12957](#).

Home Health PPS Wage Index

The CY 2023 HH PPS final rule finalizes the application of a permanent 5% cap on any decrease to a geographic area's wage index from its prior year wage index, regardless of the circumstances causing the decline starting in CY 2023.

Rural Add-On

Beginning in CY 2023, the county-based rural add-on which was applied to the national, standardized period rate, national per-visit payment rates, and the LUPA add-on payments when home health services are provided in rural (non-CBSA) areas has expired. Therefore, for periods and visits on or after January 1, 2023, we'll no longer apply the rural add-on county-based percentage increase to the payment rates based on the COUNTY-CODE values listed under the 3 rural county categories.

More Information

We issued [CR12957](#) to your MAC as the official instruction for this change.

For more information, [find your MAC's website](#).

Document History

Date of Change	Description
November 10, 2022	Initial article released.

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