UPDATE TO THE HOME HEALTH
REIMBURSEMENT METHODOLOGY CHANGE

The Texas Health and Human Services Commission (HHSC) adopted revised reimbursement methodology rules for Medicaid home health professional services, excluding private duty nursing, at Title 1 of the Texas Administrative Code (TAC) §355.8021, effective November 1, 2002. (There is a link to those rules from this website.) The purpose of the rule revisions was to replace the cost-based reimbursement methodology with statewide visit rates, resulting in each Medicaid home health agency (HHA) being paid in accordance with the same visit rate for the same service.

In a letter dated May 12, 2003, HHSC Rate Analysis informed you that the reimbursement methodology changes had not yet been implemented and could not be implemented prior to April 1, 2004, due to the transition from the National Heritage Insurance Company (NHIC) as the state's Medicaid claims administrator to the Texas Medicaid & Healthcare Partnership (TMHP) as the state's new fiscal agent effective January 1, 2004.

As of today, the implementation project has been assigned a ranking of #2 within the list of high-priority (Priority 1) projects. However, no implementation date is known at this time. Therefore, HHAs continue to be paid a percentage of their billed charges for these services. As soon as an implementation date is determined, notification will be provided to all HHAs.

Transition Rates

In order to better approximate the amounts that a HHA would receive under the statewide visit rates, the payment percentage calculated previously by NHIC Medicaid Audit and now by TMHP Medicaid Audit based on the 2002 Cost Report uses the statewide visit rates as the numerator of the calculation, rather than the HHA's actual Medicaid allowable costs from its cost report desk review. The HHA's billed charges from the 2002 Cost Report period are still used as the denominator. This "transition" payment percentage should reduce the difference between the HHA's billed charges and the statewide visit rates, as long as the HHA's billed charges do not change significantly from the 2002 Cost Report period. Each HHA should review its transition payment percentage resulting from the desk review of its 2002 Cost Report. If the transition payment percentage does not reduce the payment difference, either because the HHA has changed its billed charges or for some other reason, please contact the HHSC Rate Analyst for HHAs so that the transition payment percentage can be recalculated to better approximate the amounts that the HHA would receive under the statewide visit rates.

When the statewide visit rates are implemented, payments will be the lower of the provider's billed charges or the applicable statewide visit rate. For the period of November 1, 2002, through August 31, 2003, the statewide visit rates for home health professional services were: skilled nursing visit = $100.94; physical therapy visit = $116.36; occupational therapy visit = $118.62; speech-language pathology visit = $119.61; and home health aide visit = $47.03.

Thus, if a provider billed $85.00 for a skilled nursing visit delivered on December 1, 2002, when the statewide visit rates are implemented, the provider would be paid $85.00 for the visit, since the provider's billed charges of $85.00 were less than the statewide visit rate of $100.94. If a provider billed $120.00 for a skilled nursing visit delivered on December 1, 2002, when the statewide visit rates are implemented, the provider would be paid $100.94 since the statewide visit rate was less than the provider's billed charges of $120.00.

Payment Reductions

Effective September 1, 2003, the payments for Medicaid outpatient and professional services were reduced by 2.5% through the claims payment system. Thus, when the statewide visit rates are implemented, the claims for services delivered on or after September 1, 2003, will also be reduced by 2.5%. Thus, for services delivered on or after September 1, 2003, the statewide visit rates do not change, but the payments are reduced by 2.5%. Thus, the payment amounts reduced by 2.5% are: skilled nursing visit payment reduced by 2.5% = $98.42; physical therapy visit payment reduced by 2.5% = $113.45; occupational therapy visit payment reduced by 2.5% = $115.65; speech-language pathology visit payment reduced by 2.5% = $116.62; and home health aide visit payment reduced by 2.5% = $45.85.

If a provider billed $85.00 for a skilled nursing visit delivered on October 1, 2003, when the statewide visit rates are implemented, the provider's payment would be based on $85.00, since its billed charges of $85.00 were less than the statewide visit rate of $100.94. The actual payment would be $82.88 ($85.00 less 2.5%), since Medicaid payments for services are reduced by 2.5% effective 9/1/03.

If a provider billed $120.00 for a skilled nursing visit delivered on October 1, 2003, when the statewide visit rates are implemented, the provider's payment would be based on $100.94, since the statewide visit rate of $100.94 was less than the provider's billed charges of $120.00. The actual payment would be $98.42 ($100.94 less 2.5%), since Medicaid payments for services are reduced by 2.5% effective 9/1/03.

Cost Reports

Since the statewide visit rates were effective November 1, 2002, the cost report settlement process for skilled nursing visits, physical therapy visits, occupational therapy visits, speech-language pathology visits, and home health aide visits ends with a HHA's cost report that covers the month of October 2002. Therefore, if a HHA has a fiscal year ending October through December, its 2002 Cost Report was its last required cost report, since its 2002 Cost Report covered a period through 10/31/02. If a HHA has a fiscal year ending January through September, its 2003 Cost Report will be its last cost report since the 2003 Cost Report covers the month of October 2002. There are no cost reports required for 2004 or subsequent years for HHAs providing services covered by the statewide visit rates. These cost report changes are not applicable for HHAs providing PHC, CBA or other long-term care services; for information regarding cost reports for PHC, CBA or other long-term care services, please contact the appropriate Rate Analyst.

If you have any questions regarding this update, please contact the HHSC Rate Analyst for HHAs (Nancy Kimble; FAX: 512-491-1983; E-mail: nancy.kimble@hhsc.state.tx.us).