



# INDIANA MEDICAID UPDATE

**Date: April 21, 1998**

**TO: All Indiana Medicaid Home Health Providers**

RE: Change in Reimbursement Rates for Home Health Providers

This bulletin is to notify all home health providers of the NEW RATES for reimbursement of home health services **effective January 1, 1998**.

## **REIMBURSEMENT RATES**

Pursuant to 405 IAC 1-4.2-4, the standard, statewide reimbursement rates for home health services effective January 1, 1998 have been calculated. The new rates are calculated based on the most recently completed Medicaid cost reports that were required to be filed by all home health providers who bill Medicaid for services.

In determining prospective allowable costs, each provider's costs from the most recently completed Medicaid cost report were adjusted for inflation using the Health Care Financing Administration (HCFA) Home Health Agency input price index. The inflation adjustment was applied from the midpoint of the initial or annual cost report period to the midpoint of the 1998 rate period.

## **Computation of the Total Reimbursement Per Visit Rate**

The total reimbursement rate per visit is computed as follows:

- (1) the overhead cost rate; plus
- (2) the staffing cost rate multiplied by the number of hours spent in the performance of billable patient care activities; plus
- (3) the non-billable staffing cost rate multiplied by the number of hours spent in the performance of billable patient care activities.

The components of the total home health reimbursement per visit, the overhead, staffing, and non-billable cost components, are based on statewide weighted median costs calculated for each component. The statewide weighted median rate for each component is determined by calculating the per visit or per hour cost of each component for each home health agency, ranking these costs from the highest cost to the lowest cost, calculating the cumulative number of Medicaid visits or hours, and locating the point on the array in which half of the respective Medicaid visits or hours were provided by agencies with a higher cost and half were provided by agencies with a lower cost.

**Overhead Cost Rate**

The overhead cost rate per visit for each home health provider is based on the total patient-related costs, less direct staffing and employee benefit costs, less the semi-variable costs, divided by the total number of home health agency visits during the Medicaid reporting period for that provider. The result of this calculation is the overhead cost per visit for each home health provider which was included in the statewide overhead array.

The semi-variable cost was removed from the overhead cost rate calculated and added to the staffing cost rates calculated below based on hours worked.

**Staffing Cost Rate**

The staffing cost rate per hour for each discipline in the home health agency is based on the total patient-related direct staffing and employee benefit costs, plus the semi-variable cost divided by the total number of home health agency hours worked. The result of this calculation is the staffing cost rate per hour per discipline for each home health agency.

**Non-billable Staffing Cost Rate**

The non-billable staffing cost rate per hour per discipline for each home health agency is based on the number of non-billable hours paid, divided by the total hours paid per discipline, to arrive at a ratio between the non-billable hours paid and total hours paid. The result of this calculation is the non-billable cost rate per hour for each home health provider.

The statewide weighted median ratio between non-billable hours paid and total hours paid is multiplied by the staffing cost rate, identified above, to arrive at the non-billable staffing cost rate.

The number of non-billable hours paid by each agency for each discipline is derived from the number of non-billable hours paid for direct care staff that were devoted exclusively to the following:

- (A) Staff training;
- (B) Continuing education;
- (C) Travel to patient homes;
- (D) Charting patient care activity that is not conducted in patient homes; and
- (E) Physician and other medical consultation that is not conducted in patient homes.

**BILLING AND REPAYMENT**

Please use the new rates listed below for billing services on or after January 1, 1998. Billing procedures remain the same. If you have already billed and have been paid at the old rates for these dates of service, you may choose to wait for EDS to automatically reprocess your claims through a mass claims adjustment. This mass claims adjustment will repay the claims at the new rates. You will be notified when this mass adjustment takes place. Although this mass claims adjustment has been scheduled, you are not prohibited from completing adjustment forms prior to the automatic reprocessing.

<b><u>Description</u></b>	<b><u>January 1, 1998 Rate</u></b>
Overhead	\$22.96
<b><u>Discipline</u></b>	<b><u>January 1, 1998 Rate</u></b>
Registered Nurse	\$27.83
LPN	\$21.97
Home Health Aide	\$13.57
Physical Therapist	\$56.70
Occupational Therapist	\$49.03
Speech Pathologist	\$49.19

If you have any questions regarding the billing procedures outlined in this bulletin, please contact the EDS Provider Assistance Unit at (317) 655-3240 or 1-800-577-1278.