

cost of the 60-day episode exceeds a threshold amount. The outlier payment is defined to be a proportion of the imputed costs beyond the threshold. An outlier payment is a payment in addition to the national 60-day episode payment. The total of all outlier payments is limited to 5 percent of total outlays under the HHA PPS. An outlier payment is determined in accordance with § 484.240.

§ 484.210 Data used for the calculation of the national prospective 60-day episode payment.

To calculate the national prospective 60-day episode payment, CMS uses the following:

- (a) Medicare cost data on the most recent audited cost report data available.
- (b) Utilization data based on Medicare claims.
- (c) An appropriate wage index to adjust for area wage differences.
- (d) The most recent projections of increases in costs from the HHA market basket index.
- (e) OASIS assessment data and other data that account for the relative resource utilization for different HHA Medicare patient case-mix.

§ 484.215 Initial establishment of the calculation of the national 60-day episode payment.

(a) *Determining an HHA's costs.* In calculating the initial unadjusted national 60-day episode payment applicable for a service furnished by an HHA using data on the most recent available audited cost reports, CMS determines each HHA's costs by summing its allowable costs for the period. CMS determines the national mean cost per visit.

(b) *Determining HHA utilization.* In calculating the initial unadjusted national 60-day episode payment, CMS determines the national mean utilization for each of the six disciplines using home health claims data.

(c) *Use of the market basket index.* CMS uses the HHA market basket index to adjust the HHA cost data to reflect cost increases occurring between October 1, 1996 through September 30, 2001.

(d) *Calculation of the unadjusted national average prospective payment*

amount for the 60-day episode. CMS calculates the unadjusted national 60-day episode payment in the following manner:

- (1) By computing the mean national cost per visit.
- (2) By computing the national mean utilization for each discipline.
- (3) By multiplying the mean national cost per visit by the national mean utilization summed in the aggregate for the six disciplines.
- (4) By adding to the amount derived in paragraph (d)(3) of this section, amounts for nonroutine medical supplies, an OASIS adjustment for estimated ongoing reporting costs, an OASIS adjustment for the one time implementation costs associated with assessment scheduling form changes and amounts for Part B therapies that could have been unbundled to Part B prior to October 1, 2000. The resulting amount is the unadjusted national 60-day episode rate.

(e) *Standardization of the data for variation in area wage levels and case-mix.* CMS standardizes—

- (1) The cost data described in paragraph (a) of this section to remove the effects of geographic variation in wage levels and variation in case-mix;
- (2) The cost data for geographic variation in wage levels using the hospital wage index; and
- (3) The cost data for HHA variation in case-mix using the case-mix indices and other data that indicate HHA case-mix.

§ 484.220 Calculation of the adjusted national prospective 60-day episode payment rate for case-mix and area wage levels.

CMS adjusts the national prospective 60-day episode payment rate to account for—

- (a) HHA case-mix using a case-mix index to explain the relative resource utilization of different patients; and
- (b) Geographic differences in wage levels using an appropriate wage index based on the site of service of the beneficiary.