

files for the time period of our data collection (before November 1992) to determine if any providers had been omitted erroneously when the intermediaries filed their cost report data for the HHA database. The RHHIs identified 309 freestanding "missing" providers. Our review of the original database showed that it did not include data from Blue Cross and Blue Shield of California. All "missing" providers' cost data were entered into the database and were subject to an extensive edit process to validate the data. In addition, we reexamined the entire database to identify duplicates and as-submitted cost reports. This examination resulted in elimination of 120 duplicate reports from freestanding HHAs and the elimination of 100 hospital-based as-submitted cost reports. The revised database consists of 2911 freestanding providers.

The following table shows the effects of the revised database on the per-discipline cost limits for Metropolitan Statistical Area (MSA) and non-MSA HHAs published in our July 8, 1993 notice. See section IV of this notice for a revised table of limits effective for cost reporting periods beginning on or after July 1, 1993, and before July 1, 1994.

EFFECT ON PER-VISIT COST LIMITS FOR MSA AND NON-MSA HHAS

Type of visit	Effect on limits for MSA HHAs	Effect on limits for non-MSA HHAs
Skilled nursing care	+\$0.72	+\$0.75
Physical therapy	- 1.59	- 0.02
Speech pathology	- 1.50	+0.02
Occupational therapy	- 1.20	+0.54
Medical social services .	+0.06	- 1.00
Home health aide	+0.54	+0.26

The following table shows the effects of the revised database on the per-visit hospital-based add-on for MSA and non-MSA HHAs published in our July 8, 1993 notice. See section IV of this notice for a revised table of add-on amounts for hospital-based HHAs with cost reporting periods beginning on or after July 1, 1993, and before October 1, 1993.

EFFECT ON PER-VISIT ADD-ON FOR MSA AND NON-MSA HHAS

Type of visit	Effect on hospital-based add-on for MSA HHAs	Effect on hospital-based add-on for non-MSA HHAs
Skilled nursing care	+\$0.03	+\$0.57
Physical therapy	- 0.22	+0.22
Speech pathology	- 0.07	+0.51
Occupational therapy	- 0.20	+1.03
Medical social services .	- 1.14	+0.16
Home health aide	+0.03	+0.25

We recognize that the conversion to a limited number of fiscal intermediaries and the lack of an internal HCFA system to track settled cost reports for HHAs resulted in missing providers. In the future, HCFA will request that each of the nine regional intermediaries submit a list of all HHAs that it is servicing at the time of data collection. Upon collecting the data, HCFA will cross-check the HHAs included in the database with the lists submitted by the intermediaries.

Concerning the comment on the use of settled cost reports, all of the RHHIs met the Contractor Performance Evaluation (CPEP) standard for settling cost reports timely for FY 1991/1992. For example, in FY 1992, 90 percent of freestanding HHA cost reports were settled timely by the RHHIs and would be available to be included in HCFA's database. Thus, the use of settled cost reports does not affect the representative nature of the database.

Comment: Some commenters believe that the conversion to a limited number of intermediaries that specialize in handling home health claims and the exclusive use of settled cost reports in the database invalidate the rationale for excluding certain outliers from the database as a first step, before proceeding with the calculation of the cost limits. One commenter raised a series of specific questions about the outlier exclusion process, including what constitutes an outlier, how many agencies are classified as outliers, and

whether all of an HHA's costs are excluded if the agency has a single outlier discipline?

Response: The use of settled cost report data does not eliminate the need to exclude outliers from the database. Outliers are aberrant costs; these costs are not representative of industry norms. As in previous schedules of HHA cost limits, the elimination of cost per-visit outliers continues to be necessary in developing the limits because the per-discipline cost data in our database are extracted from actual cost reports. Although these cost reports have been settled, the settlement process is designed to ensure that cost report data reflect actual costs associated with covered visits; it does not assess whether the actual costs are reasonable.

The elimination of outliers is on a per-discipline basis. That is, we eliminate costs associated with a specific discipline that are statistical outliers. Based on our longstanding policy, we consider outliers to be those costs that are two standard deviations or more from the mean. Therefore, the high outliers, as well as the low outliers, are eliminated. All other per-discipline costs would be included in the computation of the per-discipline limits. In the table below we have listed the range of high and low per-visit costs for each discipline for both the labor and the nonlabor portions for both MSA limits and non-MSA limits. Only per-visit costs outside these ranges are considered outliers. We believe that using costs beyond these ranges, that is, outliers, to develop the per-visit limits subverts the statistical validity of the national average of estimated costs.

HOME HEALTH AGENCY COST LIMITS OUTLIERS LABOR AND NONLABOR PORTIONS HIGHS AND LOWS

Urban	Labor low	Labor high	Nonlabor low	Nonlabor high
Skilled nursing care	\$33.85	\$131.24	\$6.08	\$36.06
Physical therapy	33.02	132.78	5.37	31.69
Speech pathology	31.59	141.76	6.05	32.45
Occupational therapy	29.85	139.01	6.19	35.88
Medical social services	31.43	252.36	6.09	58.58
Home health aide	16.16	75.30	2.87	19.21
Rural				
Skilled nursing care	39.98	141.46	4.74	29.15