

that were published in our July 8, 1993 notice. These tables contain the wage indices for urban and rural areas and cost reporting year adjustment factor and also are presented in section IV of this notice.

The intermediaries will compute the adjusted limits using the wage index in Tables IIIa and IIIb set forth in section IV of this notice, and will notify each HHA that they service of its applicable cost per-visit limits for each type of service. Each HHA's aggregate limit cannot be determined prospectively, but depends on each HHA's Medicare visits for each type of service and actual costs

for the cost reporting period subject to this notice.

The HHA costs that are subject to the limits include the cost of medical supplies routinely furnished in conjunction with patient care. Durable medical equipment, orthotics, prosthetics, and other medical supplies directly identifiable as services to an individual patient are excluded from per-visit costs and are paid without regard to this schedule of limits. (See Chapter IV of the Home Health Agency Manual (HCFA Pub. 11).)

The intermediary will determine the limit for each HHA by multiplying the

number of Medicare visits for each type of service furnished by the HHA by the respective per-visit cost limit. The sum of these amounts is compared to the HHA's total allowable costs.

Example: HHA X, a free-standing agency located in Richmond VA, furnishes 5,000 covered skilled nursing visits, 2,000 covered physical therapy visits, and 4,000 covered home health aide visits to Medicare beneficiaries during its 12-month cost reporting period beginning on July 1, 1993.

The Aggregate Cost Limit is Determined As Follows:

Type of visit	Visits	Nonlabor portion	Adjusted labor portion	Adjusted limit	Aggregate limit
Skilled Nursing Care	5,000	\$16.44	\$74.72	\$92.32	\$461,600
Physical Therapy	2,000	16.52	75.28	92.96	185,920
Home Health Aide	4,000	8.33	37.65	46.57	186,280
Total Visits	11,000
Aggregate Cost Limit	\$833,800

As noted in section III.A of our July 8, 1993 notice, in order to account for OSHA's universal precaution requirements, we also will allow an additional adjustment to the aggregate cost limit of \$.18 per visit for those HHAs that incur costs in complying with these requirements (see 58 FR 36749). An HHA must apply to its intermediary for the add-on amount. The agency must demonstrate that it will exceed its cost limit in order to be in compliance with the OSHA mandated requirements. The HHA must provide the intermediary with adequate documentation to support the add-on amount.

Before the limits are applied during settlement of the cost report, the HHA's actual costs are reduced by the amount of individual items of cost (for example, administrative compensation and contract services) that are found to be excessive under the Medicare reasonable cost principles of provider payment. That is, the intermediary reviews the various reported costs, taking into account all Medicare payment principles (for example, the cost guidelines for physical therapy furnished under arrangement (see § 413.106) and the limitation on costs that are substantially out of line with those of comparable HHAs (see § 413.9)).

B. No Changes in the Cost Limits

As discussed in section I.B of this notice, section 13564(a) of OBRA '93 amended section 1861(v)(1)(L)(iii) of the Act to provide that there be no changes in the HHA per-visit cost limits (except

as may be necessary to take into account the elimination of the A&G add-on for hospital-based HHAs) for cost reporting periods beginning on or after July 1, 1994, and before July 1, 1996. The effect of this provision is that a HHA's latest per-discipline cost limit for a period beginning on or after July 1, 1993, and before July 1, 1994, as calculated under this notice, without regard to subsequent adjustments under section 1861(v)(1)(L)(ii) of the Act for exceptions, will remain in effect until its cost reporting period beginning on or after July 1, 1996. As explained in our January 6, 1994 notice with comment period, section 13564(b) of OBRA '93 eliminated the A&G add-on for hospital-based HHAs. Accordingly, there will be no changes, besides those due to the elimination of the A&G add-on, to a HHA's cost limit for cost reporting periods beginning on or after July 1, 1994, and before July 1, 1996, to account for inflation, changes to the wage index or to MSA designations. Thus, in computing a provider's cost limit for cost reporting periods beginning on or after July 1, 1994, and before July 1, 1996, the cost reporting period adjustment factors that were to apply for cost reporting periods beginning on or after July 1, 1994, will not be used. (In our July 8, 1993 notice with comment period, we specified that if we did not publish new limits to be effective on July 1, 1994, the limits effective July 1, 1993 would continue in effect, but the last cost reporting year adjustment factor in Table IV would be multiplied by an inflation factor once for each

month between June 1, 1994, and the month in which the cost reporting period begins, until a new schedule of limits or other provision is issued (58 FR 36760). In accordance with section 13564(a) of OBRA '93, the inflation factor will not be used for cost reporting periods beginning on or after July 1, 1994, and before July 1, 1996.) The revised schedule of per-visit limits set forth in Table I of section IV of this notice, which replaces the schedule of limits set forth in our July 8, 1993 notice, will be used to compute the limits. Revised Table II will be used to calculate the A&G add-on, when applicable. The wage indices in Tables IIIa and IIIb that were originally published in our July 8, 1993 notice and are republished in section IV of this notice will continue to be used to compute the limits.

In the example below, a freestanding HHA in Dallas, Texas has a cost reporting period beginning date of January 1, 1994. As calculated under this notice, its cost limit for the 12-month period beginning January 1, 1994, for occupational therapy is \$96.13. Under the provisions of this notice, the cost limit of \$96.13 will remain in effect for its 12-month cost reporting periods beginning January 1, 1995, and January 1, 1996. As explained above, the cost reporting period adjustment factors that would have been used under the July 8, 1993 notice with comment period for calculating the limits for the HHA's new cost reporting periods beginning January 1, 1995, and January 1, 1996, are not used.