

Accordingly, the provider in this example will not have any change in its

cost limit until its cost reporting period beginning January 1, 1997.

Example: Calculation of Adjusted Limit for Occupational Therapy for a Freestanding HHA Located in Dallas, Texas: Computation of Revised Limit for Occupational Therapy:

Labor Related Component	\$74.97	(Table I)
Wage Index	×0.9599	(Table IIIa)
Labor Portion	71.96	
Special Labor Adjustment for Budget Neutrality	×1.067	
Adjusted Labor Component	76.79	
Nonlabor-Related Component	+16.78	(Table I)
OSHA Per Diem Add-On	+18	
Adjusted Occupational Therapy Limit	93.75	
Cost Reporting Period Adjustment Factor (January 1, 1994)	×1.0254	(Table IV)
Inflation Adjusted Limit (Limit in Effect for January 1, 1994, January 1, 1995, and January 1, 1996)	96.13	

As noted above, for cost reporting periods beginning on or after July 1, 1994, but before July 1, 1996, a freestanding HHA's cost limit will be its latest per-discipline cost limit for the period beginning on or after July 1, 1993, and before July 1, 1994, as calculated under this notice and without regard to any subsequent adjustments, such as an exception to the limit. Thus, if the HHA in the above example received an exception to its cost limit for its cost reporting period beginning January 1, 1993, its cost limit for the cost reporting period beginning January 1, 1994, would not include the exception amount for the previous period. To receive an exception or other adjustment to its cost limit, the HHA would need to submit a request to its fiscal intermediary in accordance with the procedures set forth in § 413.30 of our regulations.

As explained in detail in our January 6, 1994 notice with comment period, a hospital-based HHA's cost limit is computed in an identical manner (59 FR 761) to the example above, since the A&G add-on for hospital-based HHAs is no longer applicable for cost reporting periods beginning on or after October 1, 1993.

C. Periods Other Than 12 Months

The above methodology applies to providers with cost reporting periods of 12 months in duration. If a HHA's cost reporting period is not 12 months in duration, a special adjustment factor is calculated. This is necessary because inflation projections are computed to the midpoint of a cost reporting period, and the adjustment factors in Table IV (58 FR 36760) are based on 12-month reporting periods. For cost reporting periods of other than 12 months, the calculation must be made based on the midpoint of the specific cost reporting period. The HHA's intermediary obtains

this adjustment factor from HCFA central office. This methodology results in a different cost limit than if a 12-month adjustment factor were used. However, since the provisions of OBRA '93 require no changes in the cost limit on or after July 1, 1994, the limit calculated with the special adjustment factor will remain in place for subsequent cost reporting periods beginning before July 1, 1996.

D. Providers Entering the Medicare Program

For providers entering the Medicare program on or after July 1, 1994, and before July 1, 1996, the applicable cost limit will be the cost limit for the identical period beginning on or after July 1, 1993, through June 30, 1994. (The only exception to this policy is that, as a result of the elimination of the A&G add-on for hospital-based HHAs effective for cost reporting periods beginning on or after October 1, 1993, the A&G add-on amount is not included in the cost limit calculation for hospital-based HHAs that enter the program.) For example, if a provider enters the Medicare program on October 1, 1994, with a 12-month cost reporting period, its cost limit will be determined in the same manner as a cost limit for a period beginning October 1, 1993, and ending September 30, 1994. If the provider's cost reporting period is a short period, for example, a period beginning October 1, 1994, and ending December 31, 1994, the provider's cost limit will be determined in the same manner as a cost limit for a period beginning October 1, 1993, and ending December 31, 1993. In addition, whether the first period is a full 12-month period or a period other than 12 months, the cost limit determined for the first period will remain in effect until the provider's first

cost reporting period beginning on or after July 1, 1996.

E. Next Update of Limits

Before the enactment of OBRA '93, section 1861(v)(1)(L)(iii) of the Act required that the HHA per-discipline cost limits be updated on July 1, 1994, and every year thereafter. Section 13564(a)(2) of OBRA '93 amended that section of the Act to delay the next update until July 1, 1996, and every year thereafter. Accordingly, there will be no changes to the HHA per-discipline cost limits effective under this notice for cost reporting periods beginning on or after July 1, 1993 for inflation, changes in the wage index, or geographic designation until July 1, 1996.

F. Adjustments to the Per-Visit Cost Limits

Section 1861(v)(1)(L)(ii) of the Act provides for appropriate adjustments to the HHA per-discipline cost limits. These adjustments are set forth at § 413.30(f) and include: exceptions to the limits for atypical services and extraordinary circumstances; and other provisions. Section 13564(a)(1) of OBRA '93 mandates that the effect of allowing no changes in the HHA per-visit cost limits for cost reporting periods beginning on or after July 1, 1994, and before July 1, 1996, not be considered in making adjustments to the per-visit cost limits under the exceptions process. Therefore, effective for cost reporting periods beginning on or after July 1, 1994, and before July 1, 1996, a provider may request an exception only for costs incurred above the amount that the limit would have been had the OBRA '93 provisions set forth in this notice regarding no changes in the cost limits not been enacted. Accordingly, for the purpose of determining the amount of an exception to the HHA per-discipline cost limits under the regulations at