

² Approximate value for area.

TABLE IV.—COST REPORTING YEAR ADJUSTMENT FACTOR ¹

If the HHA cost reporting period begins	The adjustment factor is
August 1, 1993	1.0042
September 1, 1993	1.0085
October 1, 1993	1.0126
November 1, 1993	1.0169
December 1, 1993	1.0211
January 1, 1994	1.0254
February 1, 1994	1.0299
March 1, 1994	1.0340
April 1, 1994	1.0385
May 1, 1994	1.0430
June 1, 1994	1.0475

¹ Based on compounded projected market basket inflation rates of 5.10 percent for 1994 and 5.30 percent for 1995.

V. Impact Statement

For notices such as this, we generally prepare a regulatory flexibility analysis that is consistent with the Regulatory Flexibility Act (RFA) (5 U.S.C. 601 through 612) unless the Secretary certifies that this notice will not have a significant economic impact on a substantial number of small entities. For purposes of the RFA, all HHAs are treated as small entities.

This notice with comment period sets forth a revised schedule of HHA per-visit cost limits and A&G add-on amounts for hospital-based HHAs for cost reporting periods beginning on or after July 1, 1993. (We note that, in accordance with section 13564(b) of OBRA '93, the A&G add-on for hospital-based HHAs is eliminated effective for cost reporting periods beginning on or after October 1, 1993.) In addition, this notice announces the provisions of section 13564(a) of OBRA '93, which provides for a delay in the updates of the HHA per-visit cost limits until cost reporting periods beginning on or after July 1, 1996.

As discussed below, the aggregate impact of revising the schedule of limits effective for cost reporting periods beginning on or after July 1, 1993 is not significant. In contrast, the requirement under section 13564(a) of OBRA '93 that these limits remain in place for cost reporting periods beginning before July 1, 1996 will result in significant Federal cost savings. The impact of this OBRA '93 provision also is discussed further below. This notice explains the revised methodology for calculating the HHA per-visit cost limits that result from the provisions of OBRA '93. We do not believe that merely explaining the results of these provisions in this notice will have a significant effect on a

substantial number of small entities. Therefore, we have determined and the Secretary certifies that a regulatory flexibility analysis under the RFA is not required.

However, to the extent that a legislative provision being announced by a notice such as this may have a significant effect on beneficiaries or providers or may be viewed as controversial, we believe that we should address any potential concerns. In this instance, we believe it is desirable to inform the public of our estimate of the substantial budgetary effect of the statutory requirement that there be no update in the HHA per-visit cost limits until cost reporting periods beginning on or after July 1, 1996.

A. Effects of Revised Cost Limits for Cost Reporting Periods Beginning On or After July 1, 1993 and Before July 1, 1994

In response to comments on the schedule of limits set forth in our July 8, 1993 notice with comment period, we decided to validate the database used in calculating the limits. As discussed in section II.A.2 of this notice, we determined that data were missing from a large number of HHAs and that duplicate cost reports were used in the calculation of the hospital-based add-on. Consequently, it was necessary to recalculate the limits and add-on amounts effective for cost reporting periods beginning on or after July 1, 1993. This notice sets forth revised per-visit cost limits and add-on amounts for hospital-based HHAs for cost reporting periods beginning on or after July 1, 1993. Section II.A.2 of this notice contains tables that illustrate the effects of using the revised database to calculate the limits and the A&G add-on amounts. As the tables illustrate, the per-visit cost limits and A&G add-on amounts change for each discipline. Most notable is the increase in the limits and add-on amounts for skilled nursing care and home health aide visits, since these visits constitute the great majority of covered HHA visits. We estimate that the aggregate impact of these changes on Medicare spending for HHA care will be as follows:

TABLE 1.—IMPACT OF REVISED LIMITS ¹

Fiscal year	Costs
1994	10
1995	10
1996	10
1997	10

¹ All figures are rounded to the nearest 10 million.

We are unable to estimate the effects of these changes on individual HHAs. In general, we believe that most HHAs will experience small revenue increases under the revised limits; the degree of that increase will vary depending on the proportion of the HHA's revenues that come from the Medicare program, the distribution of services provided by the HHA, and the HHA's ability to operate with the cost limits.

B. Effect of Cost Limits On Cost Reporting Periods Beginning On or After July 1, 1994 and Before July 1, 1996

In accordance with section 13564(a) of OBRA '93, this notice with comment period specifies that there will be no changes in the per-visit cost limits for home health services for cost reporting periods beginning on or after July 1, 1994, and before July 1, 1996, except as may be necessary to take into account the elimination of the A&G add-on for hospital-based HHAs. We estimate that this statutory provision will result in the following savings to the Medicare program:

TABLE 2.—IMPACT OF DELAY IN THE UPDATE OF HHA LIMITS ¹

Fiscal year	Savings
1994	\$ 0
1995	130
1996	330
1997	100

¹ All figures are rounded to the nearest \$10 million.

As illustrated in Table 3 below, the delay in updating the cost limits until July 1, 1996, will result in an increase in the number of HHAs exceeding the HHA cost limits in all categories. Table 3 below shows the impact of these changes.

TABLE 3.—AGENCIES EXCEEDING THE COST LIMITS ¹

	HHAs in Model	Exceeding the limits as of 7/1/93	Exceeding the limits as of 7/1/95
Free-standing HHAs .	2992	763	1329
Urban .	2001	510	911
Rural ..	991	253	418
Hospital-based HHAs .	1053	408	856
Urban .	447	173	383