

## **Assessing payment adequacy and updating payments: Hospital inpatient and outpatient services**

**ISSUE:** By law, each year the Commission is required to assess the adequacy of hospital payments and recommend payment updates for hospital inpatient and outpatient services.

**KEY POINTS:** Our approach for updating payments consists of two steps:

- Assessing whether current (FY 2016) payments are adequate, and
- Making a judgment about how much hospital payments should change in FY 2017.

Our determination of payment adequacy considers:

- Beneficiaries' access to care as measured by:
  - Changes in the capacity of providers
  - Changes in the volume of services
- Changes in the quality of care
- Providers' access to capital
- Medicare payments and providers' costs

We will also discuss aligning beneficiary cost sharing with the cost of care and directing uncompensated care payments in proportion to hospitals' uncompensated care costs.

**ACTION:** At the meeting, the Commissioners will discuss and vote on the draft recommendation.

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