

**Contact: Mark E. Miller
(202) 220-3700**

**MEDICARE PAYMENT ADVISORY COMMISSION
RELEASES REPORT ON MEDICARE PAYMENT POLICY**

Washington, DC, March 1, 2004 — Today, the Medicare Payment Advisory Commission (MedPAC) releases its March 2004 *Report to the Congress: Medicare payment policy*. MedPAC recommends updates and policy improvements for seven Medicare prospective payment systems (PPSs).

MedPAC recommends:

- For the hospital inpatient and outpatient prospective payment systems, updates equal to a marketbasket index (representing input price changes), and elimination of outlier payments in the hospital outpatient PPS with an amount equal to those payments returned to the base payment. There is an unusual level of uncertainty over the magnitude of cost changes and payments expected in the hospital sector over the next year warranting caution in the update recommendation.
- For the physician, and outpatient dialysis payment systems, updates equal to marketbasket less an allowance for expected productivity gains.
- For the skilled nursing, home health, and ambulatory surgical center payment systems, zero updates. Overall access to skilled nursing and home health providers is good and the supply of providers is stable, and in aggregate current payments exceed costs by a large enough margin to offset expected cost growth in 2005. So that payments better follow patients' costs we also recommend development of a new classification system for the skilled nursing PPS and, until it is developed, some reallocation of payments from rehabilitation payment groups to other groups. We also urge further study of the home health PPS to see whether refinements are needed to promote access to care for all types of beneficiaries. For ambulatory surgical centers the growth in service volume and number of providers suggests payment is at least adequate but the Secretary should revise the payment system to align payments with those in the outpatient PPS, collect cost data, and revise the list of approved procedures.

The report also discusses the context for MedPAC's payment policy recommendations noting that Medicare expenditures are projected to represent an increasing share of the federal budget and to grow faster than the economy. In addition, it makes recommendations on payment and eligibility policy for the Medicare+Choice program including recommending that CMS should not offset the impact of risk adjustment on overall M+C payments and that beneficiaries with end-stage renal disease be allowed to enroll in private plans.

The Commission recognizes that ensuring Medicare beneficiaries have access to high quality care is a key objective of the Medicare program. Therefore, the report addresses the quality of care for Medicare beneficiaries, and recommends establishing quality incentive payment policies for the Medicare Advantage program and for outpatient dialysis services. These are two sectors where there is a consensus on measures of quality and they are regularly collected. The Commission anticipates expanding payment for quality to other sectors in future years.

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The Medicare Payment Advisory Commission is an independent Congressional advisory body charged with providing policy advice and technical assistance concerning the Medicare program and other aspects of the health care system. Its 17 commissioners represent diverse points of view and include health care providers; payers; consumers; employers; and individuals with expertise in biomedical, health services, and health economics research.