

Specialty hospital report: draft recommendations

ISSUE: As part of its mandated study of physician-owned specialty hospitals, MedPAC is required to consider how the current DRG prospective payment system should be modified to better reflect the cost of care in an inpatient setting. Earlier study findings indicated that the payment rates under the current system do not reflect national average inpatient costs uniformly across DRGs. Instead, hospitals face differences in average relative profitability across and within DRGs, giving them financial incentives to specialize in treating certain types of patients and to select low-severity patients within those DRGs. MedPAC has also been examining the laws governing financial relationships between physicians and hospitals.

KEY POINTS: We will review the draft recommendations resulting from last month's discussion.

ACTION: The Commission will discuss and vote on the draft recommendations.

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