

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

ISSUE: Each year MedPAC assesses the adequacy of current hospital payments and recommends payment updates for hospital inpatient and outpatient services.

KEY POINTS: Our determination of payment adequacy considers:

- Beneficiaries' access to care and 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 for FY 2006

At the November meeting, we presented information on the first four factors in our framework and at the December meeting we presented preliminary analyses of the growth in hospital costs, the relationship of Medicare payments and costs in 2004 and projected to 2006, an analysis of hospitals with consistently negative Medicare margins, an analysis of the impact of high-cost hospitals on Medicare margins, and draft update recommendations for inpatient and outpatient services. In addition, we presented an analysis of the relationship between outpatient volume and unit costs. At this meeting, we will review and update our findings.

ACTION: The Commission will finalize update recommendations for inpatient and outpatient payments. We would also appreciate comments on our draft March report chapter.

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