

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 Medicare payments to hospitals 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 for FY 2016

ACTION: Commissioners should review the preliminary findings on payment adequacy in advance of the discussion at the December meeting.

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