

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

Jeff Stensland, Zach Gaumer, and Craig Lisk,
January 12, 2017

Payment adequacy indicators

- Beneficiaries' access to care
- Providers' access to capital
- Quality of care
- Cost growth and margins
 - Costs and margins
 - Marginal profits
 - Efficient providers
 - Projected Medicare margins for 2017

Medicare fee-for-service hospital spending increased in 2015

Type of service	2014 (in billions)	2015 (in billions)	Percent change per beneficiary
Inpatient services	\$110	\$112	+2%
Outpatient services	\$54	\$58	+7%
Uncompensated care payments	\$9	\$8	-19%
Total	\$173	\$178	+3%

Note: Spending includes FFS payments received by hospitals from the Medicare program and Medicare beneficiaries. Hospitals in this analysis include those paid under the Medicare prospective payment system and critical access hospitals.

Source: MedPAC analysis of Medicare hospital cost report dataset

Summary of payment adequacy

- Access is good (volume up, excess capacity)
- Access to capital is strong
- Quality improving (lower readmissions, mortality)
- Medicare margins 2015
 - Aggregate margin - 7%,
 - Efficient provider 0%
 - Marginal profit +9%
 - Projected 2017 aggregate margin -10%
 - Positive marginal profit in 2017

Off-campus stand-alone emergency departments (ED): Collecting claims data

- Services: emergency, imaging, lab, some non-ED
- Growth incentives
 - Higher rates in ED compared to urgent care or office setting
 - Exempted from site-neutral law, paid as a hospital for all ED and non-ED services
- Need data to track growth
- Current claims not distinguishable from affiliated hospital claims

Assessing payment adequacy and updating payments: physician and other health professional services

Kate Bloniarz and Ariel Winter

January 12, 2017

Background: Physician and other health professional services in Medicare

- \$70.3 billion in 2015, 15 percent of FFS benefit spending
- 919,000 practitioners billed Medicare: 582,000 physicians, 183,000 advanced-practice registered nurses and physician assistants and 155,000 therapists and other providers
- Medicare Access and CHIP Reauthorization Act of 2015 established new payment updates in law: 0.5% for 2018

Summary of physician and other health professional services payment adequacy

- Beneficiaries' ability to access to care is similar to prior years, comparable to privately-insured
- Supply of providers per beneficiary remains steady
- Total volume growth per beneficiary from 2014-2015 was 1.6% for all services
- Differences in compensation by specialty continue to implicate fee schedule mispricing

Assessing payment adequacy and updating payments: Ambulatory surgical center services

Daniel Zabinski and Zach Gaumer

January 12, 2017

Summary of key facts about ASCs

- Medicare payments to ASCs: Nearly \$4.1 billion
- Number of ASCs: 5,475
- Beneficiaries served: 3.4 million

Numbers are preliminary and subject to change

Summary of payment adequacy measures

- Access to ASC services is good. In 2015:
 - Volume per beneficiary increased by 1.8%
 - FFS beneficiaries served increased by 1.2%
 - Number of ASCs increased by 1.4%
- Medicare payments per beneficiary in 2015 increased by 5.2%
- Access to capital is good
- Limitations of analysis
 - Quality measures need to be improved; many ASCs do not have quality data available to public
 - Lack cost data: Commission has recommended that ASCs be required to submit cost data

Assessing payment adequacy and updating payments: outpatient dialysis services

Nancy Ray and Andrew Johnson

January 12, 2017

Overview of outpatient dialysis services, 2015

- Outpatient dialysis services used to treat individuals with end-stage renal disease
- Beneficiaries: about 388,000
- Providers: about 6,500
- Medicare spending: \$11.2 billion

Summary of outpatient dialysis payment adequacy

- Access to care indicators are favorable
- Dialysis quality improving for some measures
- Access to capital indicators are favorable
- 2015 Medicare margin: 0.4%
- 2015 Marginal profit: 16.6%
- 2017 projected Medicare margin: -1.0%

Assessing payment adequacy and updating payments: hospice services

Kim Neuman

January 12, 2017

Overview of Medicare hospice, 2015

- Hospice use:
 - 1.38 million beneficiaries
 - 48.6% of decedents
- Providers: 4,199
- Medicare payments:
 - \$15.9 billion to hospice providers

Hospice payment adequacy indicators

- Indicators of access to care are favorable
 - Supply of providers continues to grow
 - Hospice use increased; ALOS declined slightly due
- Limited quality data are now available
- Access to capital appears adequate
- 2014 margin: 8.2%
- 2014 marginal profit: 11%
- 2017 projected margin: 7.7%