

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 approach for updating payments consists of two steps:

- Assessing whether current (FY 2012) payments are adequate, and
- Making a judgment about how much hospital payments should change in FY 2013.

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 2012

We will examine adequacy of hospital Medicare payments, in aggregate, and for rural hospitals in particular. In addition, we will discuss differences in payment rates between hospital-based clinics and free-standing physician offices.

ACTION: Commissioners should review the preliminary findings and the Chairman's draft recommendations.

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