

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 hospital payments 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 2014) payments are adequate, and
- Making a judgment about how much hospital payments should change in FY 2015.

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 2014

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

STAFF CONTACTS: Jeff Stensland and Craig Lisk (202-220-3700)