

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. This year we will address the adequacy of payments as well as relative payment rates across payment systems.

KEY POINTS: Our approach for updating payments consists of two steps:

- Assessing whether current (FY 2015) payments are adequate, and
- Making a judgment about how much hospital payments should change in FY 2016.

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 2015

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

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