

# MEDICARE PAYMENT POLICIES

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Presented at the  
All Programs Meeting  
Federal Office of Rural Health Policy  
Health Resources and Services Administration  
U.S. Department of Health and Human Services

August 21, 2003

# Components of this Presentation:

- ❑ What Drives Medicare Payment Policy?
- ❑ What are the Issues In:
  - Hospital Payment
  - Physician Payment
- ❑ Other Payment Systems
  - Skilled Nursing Care
  - Home Health Care
  - Ambulance Services

# What Drives Medicare Policy?

- ❑ Considerations of Underlying Philosophy
- ❑ Is the goal of payment policy to:
  1. Pay the marginal cost of treating Medicare beneficiaries?
  2. Pay the total cost of treating Medicare beneficiaries, including fixed costs of the provider, which could include caring for the uninsured?
  3. Pay for total cost plus a rate of return for reinvestment?
  4. Pay for total costs and reinvestment, plus other desirable services such as medical education?

# Answer: Miles Law

- Where you stand depends on where you sit
  1. Fiduciary responsibility: marginal costs (MedPAC, CMS, elected officials)
  2. Perception of fairness: total costs (Providers, beneficiaries, elected officials)
  3. Perception of fair share: include reinvestment (Providers, communities)
  4. Assurance of long term access (advocates, beneficiaries)
- Pogo: We have seen the enemy, and they are us

# The Effects of Where We Sit

- ❑ Definition of cost
  - Medicare cost reports?
  - Hospital financial statements?
- ❑ Definition of fair payment
  - Marginal cost?
  - Effect on margins?
  - Compared to others?
- ❑ The context for decisions of Congress and Administration

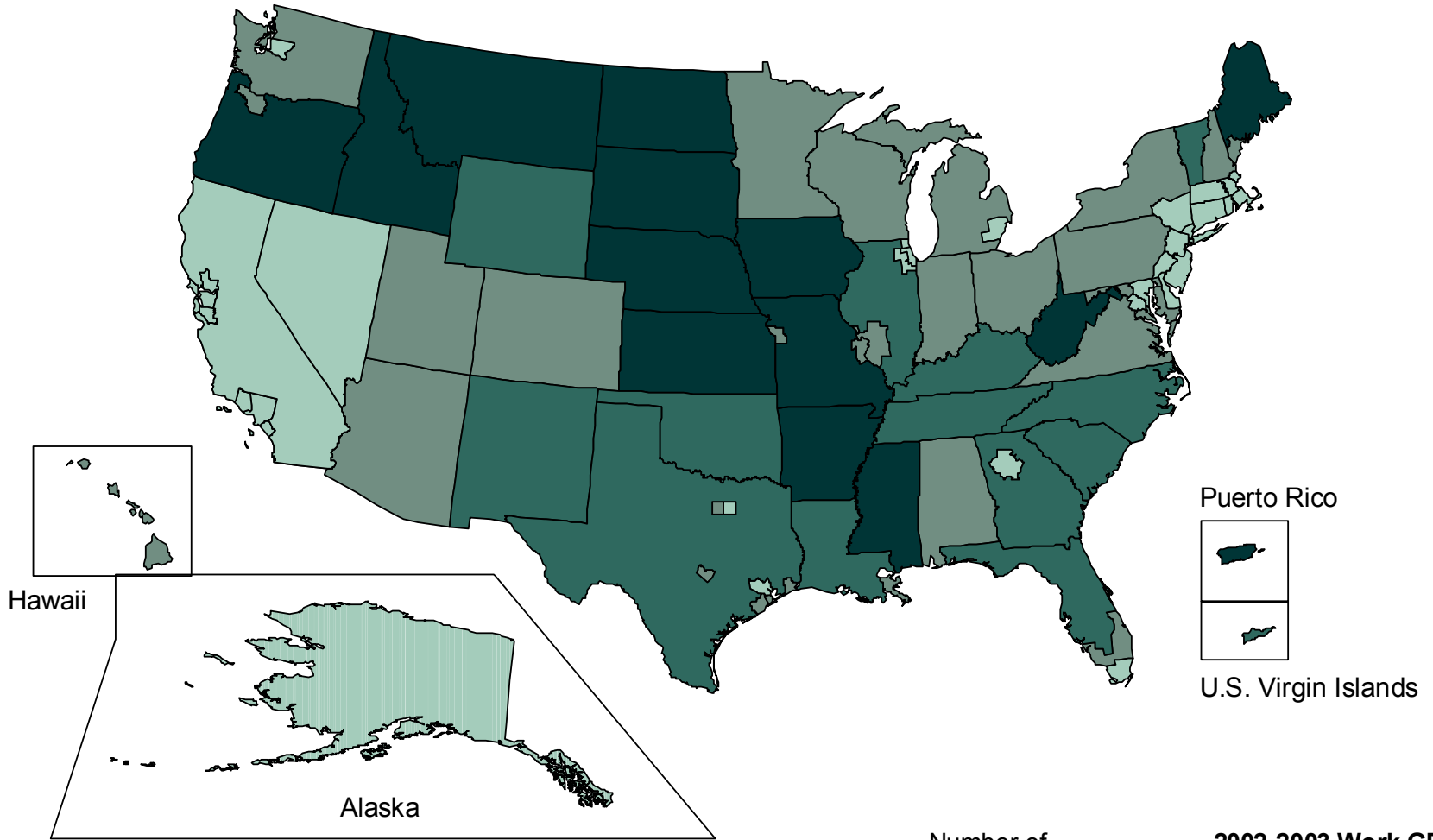
# Hospital Payment

- ❑ PPS updates for inpatient and outpatient
- ❑ Standardized payment
- ❑ Wage Index
- ❑ Questions
  1. Link to hospital viability?
  2. Lead to cost shifting?
  3. Are differences in payment disparities in payment?

# Physician Payment

- ❑ Updates and reasons for recent declines
- ❑ Component parts
- ❑ Difference or disparity?

# 2002-2003 Medicare Payment Localities Work Geographic Practice Cost Indexes (GPCIs)



Source: Federal Register. Vol. 67, No. 25  
Tuesday, Dec. 31, 2002. pp. 79965-80184.

Number of Payment Localities	2002-2003 Work GPCI
14	0.881 - 0.963
14	0.964 - 0.975
28	0.976 - 0.999
33	1 - 1.094



# Long Term Care Services

- ❑ Skilled Nursing Care services and PPS
- ❑ Home Health Care services and PPS

# Ambulance Services

- ❑ adopted new payment schedule
- ❑ increases for urban and rural providers (2%, 5%) in S1
- ❑ HR1 has regional approach to provide \$200 million in relief over 10 year period when payment is less than previous allowable charges
- ❑ HR1 has \$400 million in relief for providers who serve the most rural 25% of Medicare patients

# RUPRI Center for Rural Health Policy Analysis



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