Medicare Issues

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Characterize the rural issues as:

- Payment for providers

- Access to services for beneficiaries

In both instances important to consider how issue is framed and terms of any debate

Medicare Payment to Rural Providers

- Underlying basis for payment?

  1. Pay the marginal cost of caring for Medicare beneficiary
  2. Pay the total costs of caring for Medicare beneficiary
  3. Pay the total costs plus a rate of return
  4 Pay the total costs plus a rate of return plus share in other expenses

- Separate question of paying all providers the same, regardless of where they practice

How is cost determined – data?

1. Medicare data base (cost reports for hospitals, historical charges for providers)

2. Provider data base

3. Market competition

How is cost determined – use of the data?

1. Setting a payment per service – fee schedule
2. Setting a payment per service – prospective payment
3. Paying submitted bills – cost-based reimbursement
4. Paying for low bid – health plans

- Where you stand depends on where you sit

Some of the rural issues in the current policy debates

1. Starting payment systems from the same base – standardized payment for hospitals

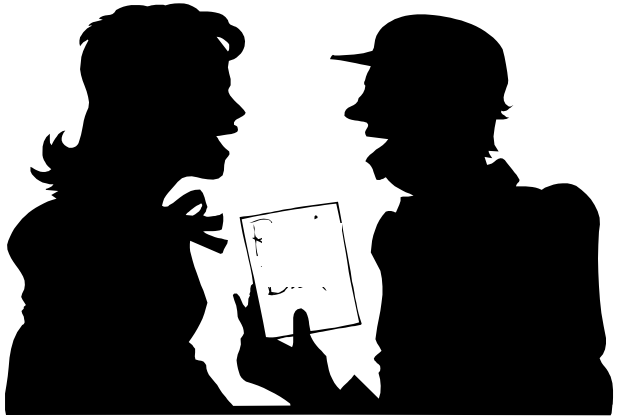
2. Using correct data – wage index – and using it appropriately

3. Using correct data – physician payment adjustments – and using it appropriately

4. Adjustments in prospective payment systems for low volume providers

Fixes versus junking the system

- The analysts are pleased with fixes
- The providers want positive balance sheets

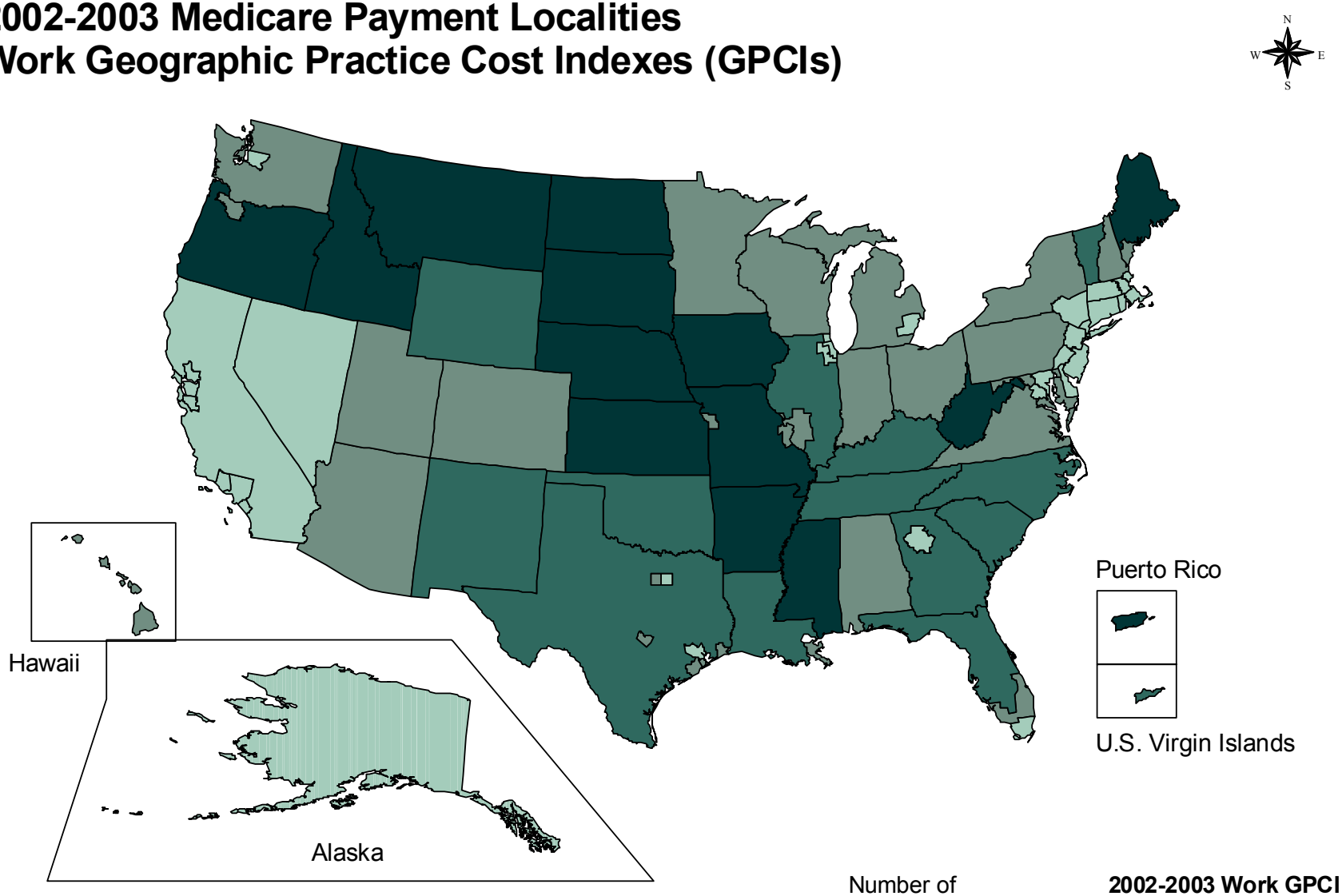


Payment and the Beneficiary: Equity

- What is "equity?"
  - Equality?
  - Fairness?
  - By what standard?

- Dollars-in/dollars-out definition
- Comparability of access definition

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

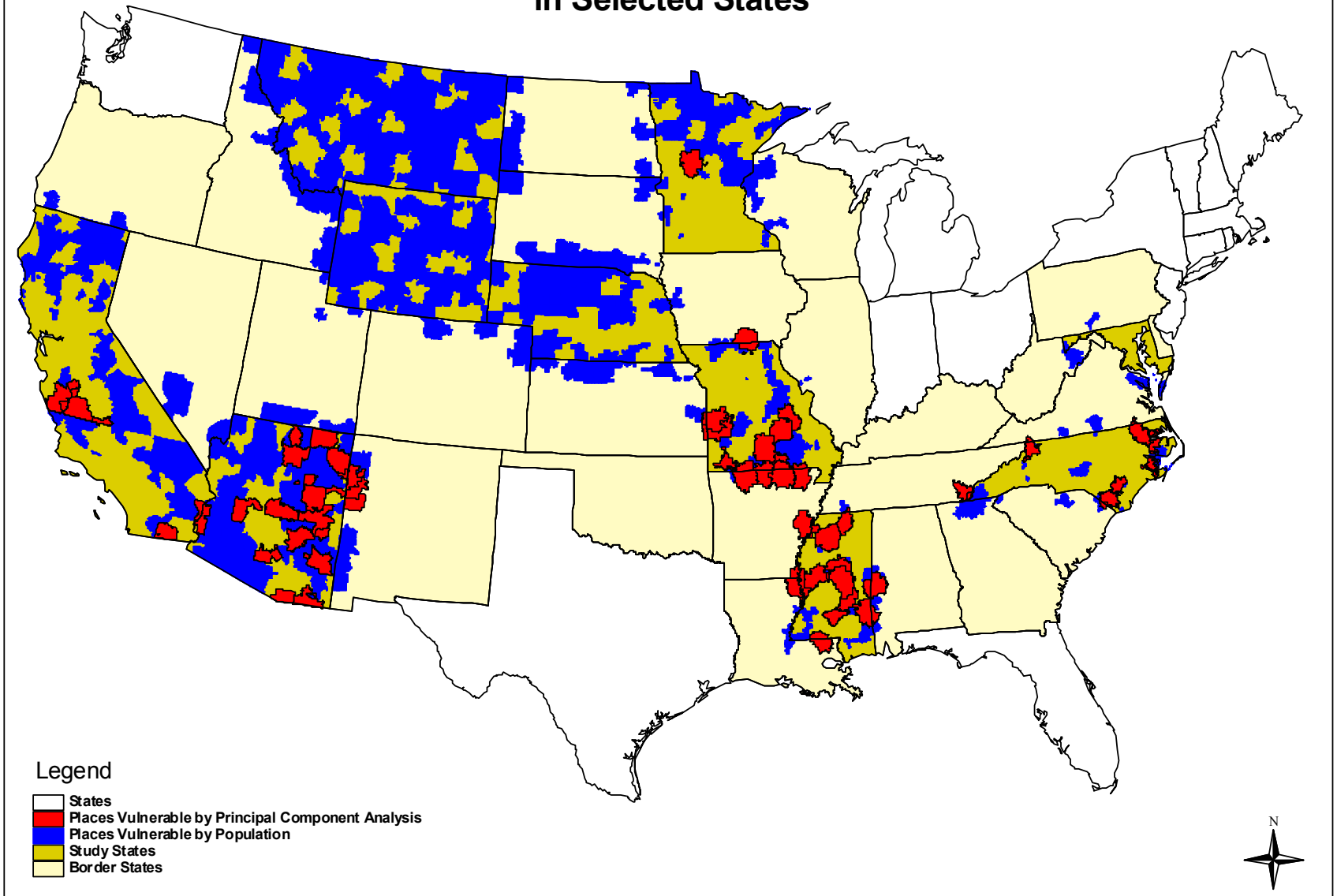


Source: Federal Register. Vol. 67, No. 25
Tuesday, Dec. 31, 2002. pp. 79965-80184.

Policy Suggestions

- make the technical fixes
- determine and state intent as a policy not left to interpretation
  - hold firm on definition of fair payment
- move to partnership instead of adversary relationships with providers
  - including role for federal payment when the market is weak

Vulnerable Places in Non-Metropolitan Areas in Selected States *



Issues of Beneficiary Access

- Financial
- Geographic
- Equitable

Financial

- The near poor, the worst off
- M+C an avenue in urban, not rural
- Inadequate availability of affordable supplemental plans
- Are we breaking the promise of Medicare?

Geographic

- The basics of medical care services and their precarious state in rural
  - Primary care
  - Emergency medical services
  - Treatment of chronic conditions
- What is the problem?
  - Population base and market attractiveness
  - Inattention in public and private policy debates driven by cost efficiencies
  - Professional isolation

Equitable

- Fairness: Access to the same services, benefits
- Dollar-in/dollar-out argument
- This is a policy of insurance – inherently distributive
- Distribution based on need, which includes need for payment assistance

Policy Actions

- Incremental fixes
  - Medical training programs
  - Payment incentives
  - Recognize the need to subsidize
  - Recognize the need for flexibility in rules
  - Support use of technology, even if more expensive

Policy Actions

- Move the general debate forward
- Explicit agreement on policy goals
- Recognize the need for short term increases in funding support
- Institute policies that generate long term savings
  - preventive services
  - disease management
- Convert administrative resources to effective collective bargaining and program management
- Full cost analysis of any changes in administrative rules

RUPRI Center for Rural Health Policy Analysis

www.rupri.org/healthpolicy