



Forum Session Meeting Announcement

Friday, March 31, 2006
11:45am–12:15pm — Lunch
12:15pm–2:00pm — Discussion

Medicare Provider Payments: Proposals from MedPAC and the Administration

A Discussion Featuring:

Mark Miller, PhD
Executive Director
Medicare Payment Advisory Commission

Herb Kuhn
Director
Center for Medicare Management
Centers for Medicare & Medicaid Services

With Comments From:

Kathy Means
Senior Health Policy Adviser
Arnold & Porter, LLP

Elizabeth Fowler
Principal
Health Policy Alternatives

Location

Washington Court Hotel
525 New Jersey Avenue, NW
Atrium Room

Registration Required

Space is limited. Please respond as soon as possible.

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Medicare Provider Payments: Proposals from MedPAC and the Administration

OVERVIEW

Each year, the March report of the Medicare Payment Advisory Commission (MedPAC) and the President's budget shape policy and political debates about how much Medicare should pay providers. The backdrop for this year's proposals is the rapid increase in program expenditures and the expected surge in spending due to the aging of the "baby boom" generation. MedPAC and the Bush administration want to slow the growth in payment rates, which provider groups assail as payment "cuts." This Forum session will examine the rationale for these recommendations and how MedPAC and the administration will confront the challenges of readying the Medicare program for the next year and beyond.

SESSION

In the context of unrelenting increases in health care spending and expanding budget deficits, attention is focused on how much Medicare's payment rates should be increased next year. Two documents in particular will shape debates over Medicare provider payments—the Medicare Payment Advisory Commission's (MedPAC) annual March Report¹ and the President's 2007 budget.² In response, provider groups have begun to campaign about the value of the services they offer and the problems that will ensue if their Medicare payments are cut.

Since 1998, MedPAC has advised the Congress on the Medicare program, including the appropriate payment rates for providers that participate. In its March 2006 report, the Commission makes recommendations about next year's Medicare payment rates for hospitals, physicians, outpatient dialysis centers, skilled nursing facilities, home health agencies, long-term care hospitals, and inpatient rehabilitation hospitals. MedPAC believes that the payment updates for all of these sectors should be less than inflation, with payment rates for some provider sectors remaining at 2006 levels. The President's fiscal year 2007 budget proposes the same payment updates as those recommended by MedPAC.

The Commission based its recommendations on assessments of Medicare beneficiaries' access to services, the adequacy of current payments compared to providers' costs, expected changes in provider costs, and its philosophy that Medicare payments should "...cover the costs efficient providers incur in furnishing care to beneficiaries."³ The high margins exhibited by skilled

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nursing facilities, home health agencies, long-term care hospitals, and inpatient rehabilitation facilities contributed to MedPAC's assessment that payment rates do not need to be increased for these providers in 2007. Even though hospitals reported losses on Medicare patients, the Commission still recommended that their payment rates should go up less than the rise in inflation. MedPAC did not recommend a larger update because of unusually large hospital cost increases in recent years due to the lack of fiscal pressure from private payers.

Provider groups have voiced strong objections to the proposed payment updates. New television advertisements suggest that access to needed health care services for Medicare beneficiaries is being threatened and call for Americans to object to the Medicare cuts. For many providers, Medicare is a significant source of revenue. Therefore, Medicare's policies and payment rates can directly affect their financial success. Further, the ramifications of Medicare's payment changes may be even broader because other payers often follow Medicare's lead.

Current law sets payment updates equal to inflation for most types of providers, so adoption of MedPAC and the administration's recommendations for smaller increases requires legislative action. Enactment of these recommendations would not actually reduce payment rates, but would lower them below what providers had expected. In fact, total payments will increase because of growth in the volume of services provided. The annual policy and political debates about appropriate provider payments, access to care for Medicare beneficiaries, and ways to bring Medicare spending growth to sustainable levels have begun.

KEY QUESTIONS

- What data and criteria are used to determine the appropriate increases to Medicare payments?
- How would proposed changes to the Medicare program affect health care providers? Medicare beneficiaries' access to needed services? The health care delivery system?
- How will providers respond to lower Medicare payment updates? How might other payers respond?
- How will these recommendations shape the Medicare program over the long term? Will these changes be sufficient to ensure the sustainability of the Medicare program? If not, what types of changes would be needed?

SPEAKERS

Mark Miller, PhD, will present MedPAC's 2007 recommendations and their rationale. He has been the executive director of MedPAC since 2002.

Herb Kuhn, director of the Center for Medicare Management at the Centers for Medicare & Medicaid Services will discuss the Medicare program portion of the President's 2007 budget. These presentations will be followed by commentary from two former congressional staff who have had extensive experience balancing concerns about the mounting costs of the Medicare program with the needs of providers and beneficiaries. **Kathy Means**, formerly director of the Republican health care staff for the Senate Committee on Finance, is now senior health policy advisor at Arnold & Porter, LLP. **Elizabeth Fowler**, who served as the chief health and entitlements counsel for the Senate Committee on Finance, Democratic staff, is a principal with Health Policy Alternatives.

ENDNOTES

1. Medicare Payment Advisory Commission (MedPAC), *Report to the Congress: Medicare Payment Policy*, March 2006; available at www.medpac.gov/publications/congressional_reports/Mar06_EntireReport.pdf.
2. Department of Health and Human Services, *Budget in Brief, Fiscal Year 2007*; available at www.hhs.gov/budget/07budget/2007BudgetInBrief.pdf.
3. MedPAC, *Report to the Congress*, xv.



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