

Medicare Payment Issues

Special Forums

Congressman Mike Ross

Fourth District Arkansas

February 21, 2003

Keith J. Mueller, Ph.D.

RUPRI* Center for Rural Health Policy Analysis

*Rural Policy Research Institute

What are BB's All About?

- BBA in 1997
- BBRA in 1999
- BIPA in 2000

Medicare Payment Policies = Savings, Give-backs

- Hospital Inpatient
- Hospital Outpatient
- Skilled Nursing
- Home Health
- Physician Payment

Hospital Inpatient Payment

- BBA limited the updates through FY 2002
- BBA reduced Disproportionate Share payments through FY 2002
- BBA limited inpatient payment if patients discharged to other institutions. Principle carries on – recent MedPAC recommendation

Hospital Inpatient Payment (2)

- BBRA reduced the reduction for DSH
- BBRA created PPS for psychiatric hospital and distinct-part units

Hospital Inpatient Payment (3)

- BIPA increased inpatient by full market basket for FY 2001 and spread remaining BBA reduction over two years
- BIPA added 1% to DSH payments in 2001 and 2002
- BIPA lowered threshold for DSH payment to 15% for all hospitals

Hospital Inpatient Payment (4)

- MedPAC recommendation for 2004 update is market basket minus 0.4

Hospital Outpatient

- Converted to PPS
- Conversion delayed to 1-1-04 for rural hospitals under 100 beds
- Annual decisions regarding updates
- MedPAC recommendation for 2004 update is market basket minus 0.9

Skilled Nursing

- BBA changed to PPS beginning in 1998, phased in by 2002
- BIPA: Secretary may establish process for geographic reclassification
- Consideration to increase nursing component of calculation by 16.6%
- MedPAC recommendation: no payment update in 2004

Home Health

- BBA phased in new PPS by 2000
 - Interim Payment System with sharp reductions in payment
 - 15% reduction with implementation of PPS
- BBRA and BIPA delayed implementation of the 15% reduction
- BIPA:
 - restored full market basket update in FY 201
 - payment for delivering services via telecommunications
 - Allows for use of technology as supervision of branch offices
 - 10% add-on payment for rural HHAs through April, 2003

Home Health (2)

- MedPAC recommendations:
 - No update in 2004
 - Rural HHAs get 5% add-on, less than the current 10% add-on

Physician Payment

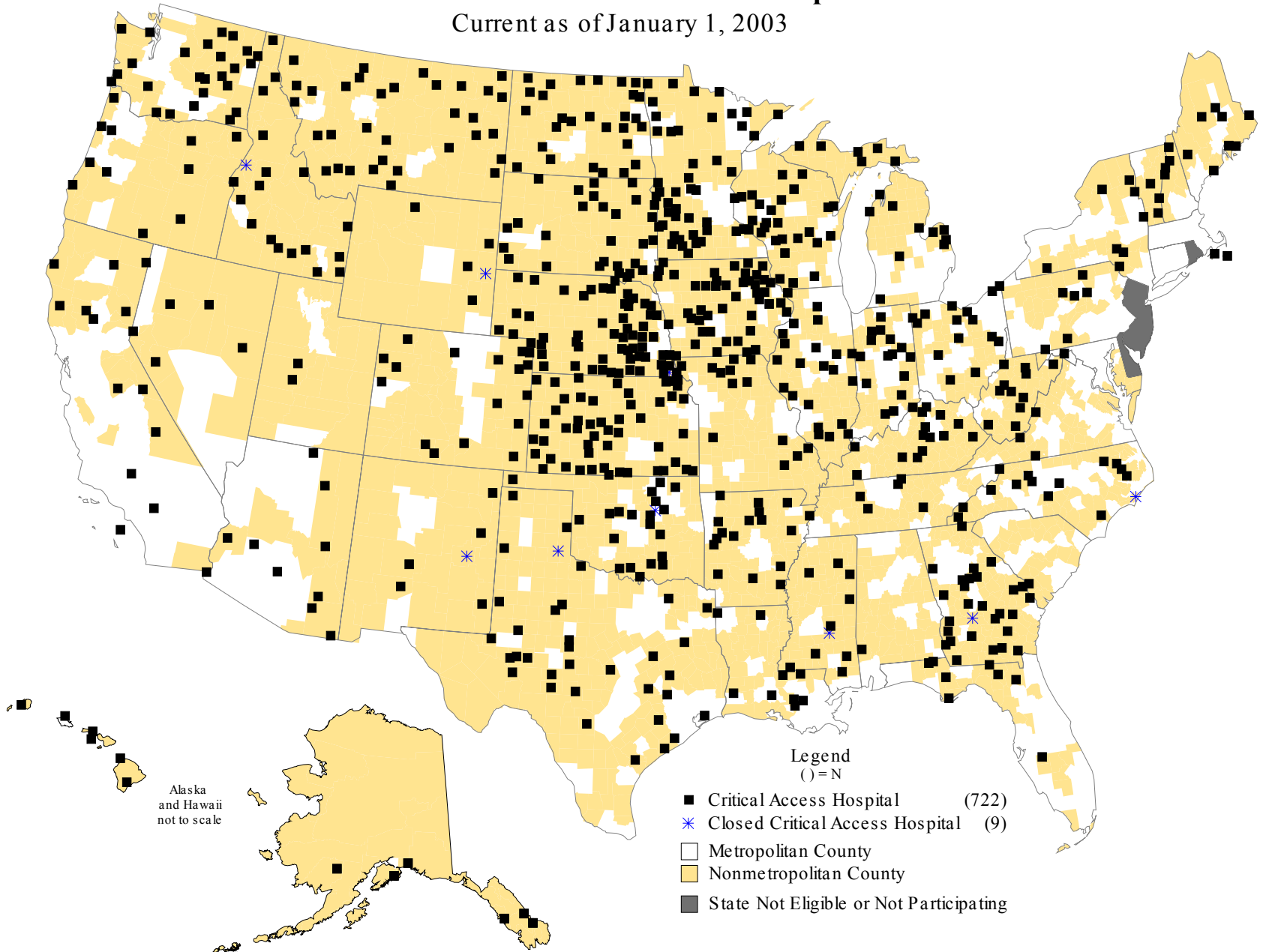
- BBA:
 - Established single conversion factor instead of 3 separate updates
 - Calculate practice expenses with resource-based method instead of historical
- Pressing general issue now is the Sustained Growth Rate Calculation
- Rural perspective is the calculation of Geographic Practice Cost Index [RUPRI brief will explain]
- MedPAC recommendation: 2.5% increase in 2004 (vs. 4.5% reduction under current formula)

Other Important Rural-Oriented Provisions of BBA/BBRA/BIPA

- Medicare+Choice program experiment
- Critical Access Hospital Certification
- State Rural Hospital Flexibility Grant Program
- Small Rural Hospital Improvement Program

Location of Critical Access Hospitals

Current as of January 1, 2003





Rural Policy Research Institute

www.rupri.org