Medicare Payment Advisory Commission’s Report to Congress

The Medicare Payment Advisory Commission (‘‘MedPAC’’) is required by law to annually review Medicare payment policies and make recommendations to Congress concerning those policies. Accordingly, on March 13, 2015 MedPAC released its Report to the Congress: Medicare Payment Policy. The report includes MedPAC’s analyses of payment adequacy in fee-for-service Medicare and provides a review of Medicare Advantage (‘‘MA’’) and the prescription drug benefit, Part D.

Fee-for-Service

MedPAC recommends no update for 2016 for five fee-for-service (‘‘FFS’’) payment systems: ambulatory surgical centers, outpatient dialysis, long term care hospitals, inpatient rehabilitation facilities, and hospice. For skilled nursing facilities and home health agencies, it calls for more equitably distributing payments among providers to ensure access for all beneficiaries, rebasing (lowering the base rate), creating incentives to improve quality, and increasing program integrity.

For the physician and other health professional payment system, MedPAC calls for repealing the sustainable growth rate system and reducing the disparity in payments between primary care providers and procedural lists. For inpatient and outpatient hospitals, MedPAC recommends a 3.25 percent update to payment rates, concurrent with two changes that would institute site neutral payments between settings.

Services Provided in Different Care Settings

MedPAC makes recommendations on improving payment accuracy by examining payment rates for similar types of care frequently provided in different care settings. MedPac is recommending site-neutral payments to inpatient rehabilitation facilities (‘‘IRF’’s) for select conditions treated in both skilled nursing facilities and IRFs.

Primary Care

MedPAC also makes recommendations on new payment models that help support primary care and move Medicare away from purely fee-for-service payments. MedPAC discusses the Primary Care Incentive Payment (‘‘PCIP’’) program, which is scheduled to expire in 2015. The PCIP provides a 10
percent bonus payment on fee schedule payments for primary care services provided by certain primary care practitioners. It recommends that the additional payments to primary care practitioners should continue on a budget neutral basis; however, they should be in the form of a per beneficiary payment as a step away from the fee-for-service payment approach and toward beneficiary-centered payments that encourage care coordination.

**Medicare Advantage**

In the Medicare Advantage ("MA") program, enrollment continues to grow and beneficiaries continue to have wide access to plans (with an average of 9 plans to choose from in 2015). Medicare’s MA benchmarks and payments to plans have moved closer to FFS levels, with payments averaging approximately 102 percent of FFS, down from a high of 112 percent in 2009. While plan payments have declined relative to FFS, the average extra benefits provided to plan enrollees has stayed stable at approximately $75 per month. MedPAC has recently recommended including the hospice benefit in MA and changing the bidding process for employer plans.

**Part D**

Close to 69 percent of Medicare beneficiaries (over 37 million beneficiaries) enrolled in Part D plans in 2014. The average beneficiary has between 24 and 33 stand-alone drug plans to choose from, in addition to many MA plans that offer the drug benefit. Average beneficiary premiums remain stable from 2014 to 2015 at about $30 per month.

According to MedPac, Part D spending increased from $46.7 billion to $64.9 billion between 2007 and 2013. For the future, the pharmaceutical pipeline is shifting toward greater numbers of biologic products and specialty drugs, many of which have few therapeutic substitutes and high prices. This will put additional upward pressure on program spending in the catastrophic phase of the benefit.

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MedPAC is an independent congressional agency established by the Balanced Budget Act of 1997 to advise Congress on issues affecting the Medicare program. In addition to advising Congress on payments to health plans participating in the Medicare Advantage program and providers in Medicare’s traditional fee-for-service program, MedPAC is also tasked with analyzing access to care, quality of care, and other issues affecting Medicare. Two reports - issued in March and June each year - are the primary vehicles for its recommendations. While MedPAC’s recommendations are not bind-
ing, Congress and the Centers for Medicare and Medicaid Services (“CMS”) often take into account MedPAC’s assessments when updating Medicare payment policies.

The report is available at Report is available at http://medpac.gov/.

This Committee Update provides general information and not legal advice or opinions on specific facts.