

Technical Notes to Estimates of Impact of House Health Care Reform Bill
Draft Bill Released June 19, 2009

Please note: These numbers represent rough 10 year estimates for advocacy purposes based on publicly available data from CMS. These numbers should not be used for budgeting purposes.

Provisions Modeled:

- Annual productivity adjustment (a.k.a. reduction to the update) equal to 10 year moving average of the private non-farm business productivity growth rate for inpatient PPS (operating payments), outpatient PPS, freestanding rehab hospitals and rehab units, SNF units, long term acute care hospitals and hospital-based home health. Cut applies to psych hospitals as well, but this was not modeled.
- MedPAC recommendations to provide no update in FY2010 for rehab and SNF services. Cut to rehab and SNF was delayed to January 1, 2010.
- MedPAC recommendation to provide no update and advance the planned reductions for coding adjustments in 2011 to 2010 for home health so that payments in 2010 are reduced by 5.5% from 2009 levels.
- Aggressive readmissions policy was not modeled.

Data Sources

Inpatient: AHA FY2010 inpatient PPS model based on FY2010 IPPS proposed rule and FY2010 CMS inpatient PPS payment impact file. Impact file corrected by the Moran Company to remove Medicare Advantage cases incorrectly included in the impact file released with the FY2010 proposed IPPS rule.

Outpatient: CMS Final 2009 outpatient PPS payment impact file

SNF: FY2006 Medicare cost report data from 4th quarter 2008 HCRIS file prepared by Vaida Health Data Consultants

Home Health: FY2006 Medicare cost report data from 4th quarter 2008 HCRIS file prepared by Vaida Health Data Consultants

Rehab: CMS final FY2009 IRF rate setting file, Aug. 2008.

LTAC: FY2006 Medicare cost report data from 2nd quarter 2008 HCRIS file prepared by Vaida Health Data Consultants

Notes

1. Rehab totals include units and freestanding hospitals.
2. SNF and home health totals include critical access hospitals and are hospital based only.
3. The number of hospitals (in state and District summary files) represents the total for which inpatient PPS payment can be calculated in each state. Because the estimates are coming from several different sources, the N may vary for other Medicare payment systems.

Proposed Reductions to Payment

- Inpatient: productivity adjustment of -1.3 in all years FY2010-2019
- Outpatient: productivity adjustment of -1.3 in all years FY2010-2019
- SNF: update of 0% for three quarters of FY10, productivity adjustment of -1.3 in all years FY2011-2019
- Home Health: reduction of 5.5% for FY10, productivity adjustment of -1.3 in all years FY2011-2019

- Rehab: update of 0% for three quarters of FY10, productivity adjustment of -1.3 in all years FY2011-2019
- LTAC: productivity adjustment of -1.3 in all years FY2010-2019

Growth Factors--Estimates of Spending Growth from CMS Office of the Actuary

<http://www.cms.hhs.gov/NationalHealthExpendData/downloads/proj2008.pdf>

These growth factors were used to better capture both cost and volume growth.

| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| IPPS | 5.1 | 5.8 | 6.2 | 6.5 | 6.4 | 6.6 | 6.7 | 7.0 | 7.0 | 7.0 |
| OPPS | 5.1 | 5.8 | 6.2 | 6.5 | 6.4 | 6.6 | 6.7 | 7.0 | 7.0 | 7.0 |
| Rehab | 5.1 | 5.8 | 6.2 | 6.5 | 6.4 | 6.6 | 6.7 | 7.0 | 7.0 | 7.0 |
| SNF Units | 5.1 | 5.8 | 6.2 | 6.5 | 6.4 | 6.6 | 6.7 | 7.0 | 7.0 | 7.0 |
| Home Health | 7.1 | 6.8 | 7.6 | 7.8 | 7.7 | 7.8 | 7.9 | 7.9 | 7.9 | 7.9 |