

# Estimated Impact of President's FY 2009 Budget on Medicare Payment to Hospitals (FY2009-2013)

## Sources and Notes

These numbers have been created for advocacy purposes and should not be used for budgeting. Numbers in the Bush budget documents are substantially larger because they include interactions with Medicare Advantage and assumptions for volume growth; AHA numbers do not. Additionally the rehabilitation figures in the Bush budget documents for the update freeze include the impact of reinstating the "75% Rule"; AHA numbers do not.

Sources for the modeling of specific payments systems include:

- Inpatient PPS per AHA model based on final FY2008 CMS inpatient PPS impact file and final FY2008 rates. PPS model also used for estimates of reduced IME, DSH, and capital.
- Outpatient PPS per final CY2008 CMS outpatient PPS impact file.
- SNF and home health per FY2005 and FY2006 Medicare cost report data. SNF and home health estimates include units in Critical Access Hospitals.
- Rehab per CMS final FY2008 inpatient rehabilitation facility rate setting file. Rehab estimates for the impact of the update freeze include both freestanding hospitals and hospital units. Bad debt data from 3rd quarter 2007 CMS HCRIS file, prepared by Vaida Health Data Consultants. Bad debt is only included for rehab units, not freestanding facilities.

<b>Current Market Basket Projections (Assuming a Full Update)</b>					
	<b>Inpatient</b>	<b>Outpatient</b>	<b>SNF</b>	<b>Home Health</b>	<b>Rehab</b>
FY2009	2.9%	2.9%	3.0%	2.9%	3.0%
FY2010	2.5%	2.5%	2.9%	3.0%	2.8%
FY2011	2.9%	2.9%	3.0%	3.0%	3.0%
FY2012	3.0%	3.0%	3.1%	3.0%	3.1%
FY2013	3.1%	3.1%	3.2%	3.0%	3.2%

(All MB factors per CMS 3rd quarter 2007)

No behavioral offsets are made to inpatient updates for FY2009 or FY2010.

### **Proposed Reductions to Payment**

- Inpatient: update of 0% for FY09-11, market basket minus .65 in FY12-13
- Outpatient: update of 0% for FY09-11, market basket minus .65 in FY12-13
- SNF: update of 0% for FY09-11, market basket minus .65 in FY12-13
- Home health: rate freeze in all years FY09-13
- Rehab: update of 0% for FY09-11, market basket minus .65 in FY12-13. However baseline estimates account for freeze for part of FY08 and all of FY09 in current law.
- The current FY2008 IME adjustment is at the 5.5% level. The proposal would reduce this to 2.2% by FY2013, although the method is not specified.

The loss estimates above assume the following IME adjustments:

FY2009	4.5%
FY2010	3.3%
FY2011	2.2%
FY2012	2.2%
FY2013	2.2%

- Medicare bad debt is currently reimbursed at 70% (100% for CAHs)

The loss estimates above assume the following reductions to bad debt:

FY2009	60%
FY2010	30%
FY2011	10%
FY2012	0%
FY2013	0%

- Bad debt total includes inpatient, outpatient, rehab units, and SNF units.
- Bad debt, SNF, and home health totals include Critical Access Hospitals.
- The DSH payment proposal is to reduce payments by 30% of their current level by FY2013, although the method is not specified.

The loss estimates above assume the following reductions to DSH payment:

FY2009	15%
FY2010	30%
FY2011	30%
FY2012	30%
FY2013	30%

The reduction to capital payment is 5% in each year.

The number of hospitals represents the total for which inpatient payment can be calculated. Because the estimates are coming from different sources, the N may vary for outpatient, SNF, home health, rehab, and bad debt figures.

**2/4/2008**