

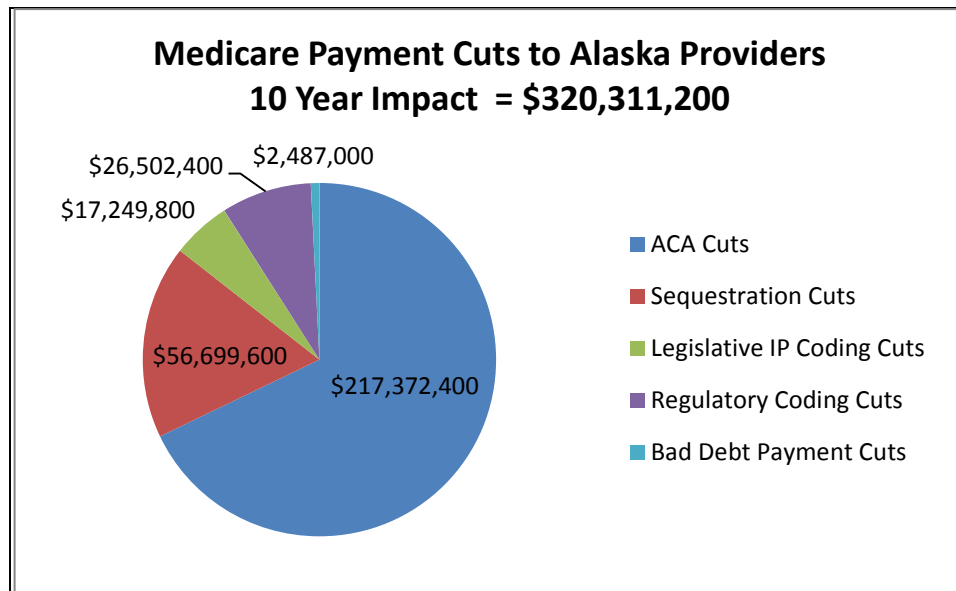
Medicare Payment Changes

Impact of Existing Medicare Provider Payment Cuts in Alaska

This summary is intended to support an understanding of existing Medicare provider cuts that Alaska hospitals and nursing homes are facing now and in the future. This analysis includes estimated Medicare fee-for-service payments and payment changes over the next ten years based on legislative payment changes adopted by Congress and regulatory payment changes adopted by the Center for Medicare and Medicaid Services (CMS).

Existing Cuts as a Percent of Total FFS Medicare Revenue* 10 year summary value	-9.2%
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- ACA Cuts: 10 year impact = \$217,372,400**
The impact shown reflects the Affordable Care Act (ACA) of 2010 authorized hospital/health system payment cuts and include: update factor cuts (all-provider settings); payment cuts and changes related to the mandatory quality-based payment reforms of value-based purchasing, the readmissions reduction program, and the hospital-acquired conditions payment policy (inpatient hospitals); and Medicare Disproportionate Share Hospital (DSH) payment cuts (inpatient hospitals). The impact shown does not capture ACA update factor cuts implemented prior to 2013 that carry forward additional negative impacts in the budget window analyzed.
- Sequestration Cuts: 10 year impact = \$56,699,600**
The impact shown reflects the Budget Control Act (BCA) of 2011 authorized 2.0% sequester reduction on total Medicare payments for a 9-year period (2013-2021 - the two-month delay in sequestration cuts legislated under the ATRA is accounted for in this analysis). The 2.0% adjustment is applied to all Medicare lines of payment, including those outside of the PPS rate and not included in this impact estimate, i.e., Direct Graduate Medical Education.
- Bad Debt Payment Cuts: 10 year impact = \$17,249,800**
The impact shown reflects the Middle Class Tax Relief and Job Creation Act of 2012-authorized reduction to Medicare payments for reimbursable bad debts for all provider settings to 65%.
- Legislative Inpatient Coding Adjustment Cuts: 10 year impact = \$26,502,400**
The impact shown reflects the American Taxpayer Relief (ATRA) of 2012-authorized retrospective (one-time) coding adjustment cuts totaling at least -9.7% that CMS must implement over a 4-year period (FFY 2014-2017).
- Regulatory Coding Adjustments: 10 year impact = \$2,487,000**
The impact shown reflects the CMS-imposed prospective (permanent) coding adjustment cuts of 1.9% (0.5% for hospitals paid at the hospital-specific rate) in 2013 (inpatient hospitals) and a 1.32% in 2013 (home health providers). The impact shown does not capture CMS coding adjustment cuts implemented prior to 2013 that carry forward additional negative impacts in the budget window analyzed.



The data table below shows estimates of the existing payment cuts for 2014 and 2015 along with a 10 year summary impact.

Medicare Payment Cuts to Alaska Providers	2013	2014	10 Year Impact
ACA Cuts (all provider settings)	\$ 1,997,000	\$ 4,498,000	\$ 217,372,400
Sequestration Cuts (all provider settings)	\$ 4,991,900	\$ 6,123,500	\$ 56,699,600
Coding Adjustments Cuts (Legislative - Inpatient)	\$ 4,183,000	\$ 4,258,200	\$ 17,249,800
Coding Adjustments Cuts (Regulatory – home health & inpatient)	\$ 2,428,100	\$ 2,478,700	\$ 26,502,400
Bad Debt Payment Cuts (all provider settings)	\$ 176,500	\$ 209,800	\$ 2,487,000
Total	\$ 13,776,500	\$ 17,568,200	\$ 320,311,200

* This value is calculated by first estimating and aggregating Medicare Fee-For-Service (FFS) revenue over a 10-year period (2013-2022) without the effect of existing legislative or regulatory payment cuts. Then, the estimated impact of the existing legislative and regulatory payment cuts over the same 10-year period are aggregated and divided by the aggregate revenue calculated in the first step. The result is a 10-year summary value of the existing legislative and regulatory Medicare FFS payment cuts as a percent of total Medicare FFS revenue. This number does not include any of the additional cuts under consideration.

This is a summary of a more detailed analysis completed by Datagen. More detailed data is available upon request.