

**Medicare Unit Cost Increases
Reported as of April 2020**

The tables below show Medicare Fee-for-Service (FFS) unit cost increases by service category, including both actual results and estimated increases.

The estimated increases represent the Office of the Actuary's current estimates of such values. The actual results for the estimated increases will be finalized later in 2020 and may be different from the estimates below.

These unit cost increases are provided to give actuaries, who prepare Medicare Advantage bids, information about Medicare FFS payments by service category. Consideration should be given to the following information:

- These unit cost increases are based on current law and reflect legislated adjustments through April 1, 2020.
- Legislated adjustments include multifactor productivity and other adjustments required by the Affordable Care Act.
- These unit cost increases reflect increases (or decreases) in the applicable market basket or fee schedule, as implemented on the specified effective date; they do not include assumptions for utilization, case-mix, enrollment, or other payment changes.
- In developing bid assumptions, certifying actuaries must consider other influences (such as, legislation, selection, and price proxies) that may affect these unit cost increases.

Table 1 Medicare FFS Unit Cost Increases – Inpatient Hospital and Skilled Nursing Facility

Service Category	Medicare FFS Unit Cost Increases			Comments
	Actual Change Effective 10/1/2018	Actual Change Effective 10/1/2019	Estimated Change Effective 10/1/2020	
Inpatient hospital	1.9%	3.1%	3.1%	—
Market basket	2.9%	3.0%	3.0%	—
Documentation & coding	0.5%	0.5%	0.5%	—
Legislated adjustments	-1.6%	-0.4%	-0.4%	Productivity plus 0.75% cut for the 10/1/2018 change; productivity only for the 10/1/2019 and 10/1/2020 changes.
Skilled nursing facility	2.4%	2.4%	2.4%	Per BBA 2018 ¹ , the 10/1/2018 change is set to 2.4%.
Market basket	2.8%	2.8%	2.8%	—
Legislated adjustments	-0.8%	-0.4%	-0.4%	Productivity.

¹ Bipartisan Budget Act of 2018

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Table 2 Medicare FFS Unit Cost Increases – Home Health Agency and Other Medicare Part B Services

Service Category	Medicare FFS Unit Cost Increases			Comments
	Actual Change Effective 1/1/2019	Actual Change Effective 1/1/2020	Estimated Change Effective 1/1/2021	
Home health agency	2.2%	1.5%	2.6%	Changes apply both to Medicare Part A and Part B services. Per BBA 2018 ¹ , the 1/1/2020 change is set to 1.5%.
Market basket	3.0%	2.9%	3.0%	—
Legislated adjustments	-0.8%	-0.3%	-0.4%	Productivity.
Outpatient hospital	1.4%	2.6%	2.6%	—
Market basket	2.9%	3.0%	3.0%	—
Legislated adjustments	-1.6%	-0.4%	-0.4%	Productivity plus 0.75% cut for the 1/1/2019 change; productivity only for the 1/1/2020 and 1/1/2021 changes.
Physician	0.3%	0.0%	0.0%	Per BBA 2018 ¹ , the 1/1/2019 change is set to 0.25%.
Laboratory	-6.3%	-7.0%	0.0%	Per section 216 of PAMA ² , changes effective 1/1/2019, 1/1/2020, and 1/1/2021 are based on private payor rates.
Ambulance	2.3%	0.9%	1.8%	—
Consumer price index	2.9%	1.6%	2.2%	—
Legislated adjustments	-0.6%	-0.7%	-0.4%	Productivity.
DME³	2.3%	0.9%	1.8%	—
Consumer price index	2.9%	1.6%	2.2%	—
Legislated adjustments	-0.6%	-0.7%	-0.4%	Productivity.

¹ Bipartisan Budget Act of 2018

² Protecting Access to Medicare Act of 2014

³ Non-competitively bid services