

CMS Office of the Actuary
2018 Payment Notice
Key Components of USPCC Trends: 2013-2018

Fee-for-Service USPCC Trends—Part A

Highlights of Trends: 2013-2018

- The projected change in per capita Part A expenditures from 2013 to 2018 is 3.2 percent.
- Averaged across all Part A services, changes in demographics during the period are estimated to have an impact of –1.8 percent on the demographic trend. Utilization and case mix trends implicitly include effects of the demographic shift.
- Inpatient
 - The trend in per capita expenditures for the period is 2.8 percent.
 - The change in per capita utilization is –7.9 percent. Much of the decrease is attributed to a reduction in cardiovascular admissions and shifting demographics.
 - Case mix increased 5.8 percent during the period.
 - The impact of reductions in disproportionate share hospital (DSH) payments during the period is –1.4 percent.
- Skilled Nursing Facility
 - Per capita expenditures are projected to increase 7.3 percent from 2013 to 2018.
 - The projected utilization trend is –5.3 percent during the period, with a change of –5.9 percent from 2013 to 2016 and a change of 0.7 percent from 2016 to 2018.
 - The change in the case mix index is 5.4 percent, with a relatively stable trend throughout the period.
- Home Health
 - The 5-year USPCC trend is 7.8 percent.
 - During this period, Parts A and B utilization is projected to increase 4.8 percent, and the case mix trend is 7.1 percent. Offsetting these factors are statutory limits placed on outlier payments and the prosecution of fraud cases, which resulted in the closing of a number of purported home health agencies.
- Cost Plans
 - Beginning in 2013, fee-for-service (FFS) claims paid on behalf of cost plan enrollees are excluded from the FFS USPCC tabulation, resulting in an impact of –0.4 percent on the 2013-2018 Part A FFS trend.

Payment Notice 2018 versus Payment Notice 2017 (Part A)

The projection supporting the 2017 Payment Notice was based on completed experience periods through September 30, 2015. For the 2018 Payment Notice, an additional year of completed experience was used, through September 30, 2016. This additional experience resulted in a calendar year (CY) 2016 USPCC change of –0.76 percent, which is primarily attributed to lower skilled nursing facility (SNF) and inpatient utilization. The change in the CY 2017 projection of –2.55 percent is mainly due to a reduction in the SNF and inpatient trend.

Payment Notice 2018 versus Advance Notice 2018 (Part A)

The CY 2016 USPCC reflected in the 2018 Advance Notice is based on experience periods through September 30, 2016 and cash activity through September 30, 2016. The 2018 Payment Notice is also based on experience through September 2016, with an additional quarter of cash activity through December 31, 2016. The incorporation of additional cash resulted in a CY 2016 USPCC change of 0.08 percent. The change in the CY 2017 USPCC of –0.97 percent and the CY 2018 USPCC of –1.35 percent is primarily due to a lowering of the inpatient and SNF utilization assumptions.

Fee-for-Service USPCC Trends—Part B

Highlights of Trends: 2013-2018

- The projected change in per capita Part B expenditures from 2013 to 2018 is 18.8 percent.
- Averaged across all Part B services, changes in demographics for the 5 years are estimated to have an impact of –0.2 percent on the demographic trend. Utilization and case mix trends implicitly include effects of the demographic shift.
- Physician Fee Schedule
 - Per capita expenditures are projected to increase 10.3 percent from 2013 to 2018, due primarily to higher volume and intensity.
- Outpatient Hospital
 - The trend for the 5 years is 51.9 percent.
 - The primary drivers of this trend are volume and intensity, which are projected to increase 32.6 percent during the period, and market baskets, with a trend of 15.2 percent.
- Home Health
 - The 5-year trend is 7.3 percent.
 - During this period, Parts A and B utilization is projected to increase 4.8 percent, and the case mix trend is 7.1 percent. Offsetting these factors are statutory limits placed on outlier payments and the prosecution of fraud cases, which resulted in the closing of a number of purported home health agencies.
- Durable Medical Equipment
 - The trend from 2013 to 2018 is –14.9 percent.
 - This trend is dominated by the introduction and expansion of the durable medical equipment (DME) competitive bidding program, plus a national mail order program for diabetes-testing supplies.
- Other Carrier
 - This category includes carrier laboratory services, ambulatory surgical centers (ASCs), ambulance services, chemotherapy drugs, other physician-administered drugs, and medical supplies.
 - The 5-year trend for this category is 26.6 percent.
- Intermediary, other than outpatient hospital
 - This category includes intermediary laboratory services, therapy services, dialysis facilities, rural health clinics, and federally qualified health centers.
 - The 5-year trend for this category is –0.5 percent, with an average annual growth rate of 11.5 percent for 2013-2017 and –10.8 percent for 2017-2018. The decrease for 2018 is due to the implementation of new payment schedules for laboratory services, which are tied to private payment rates, and the expiration of the therapy cap exception process.
- Cost Plans
 - Beginning in 2013, FFS claims paid on behalf of cost plan enrollees are excluded from the FFS USPCC tabulation, resulting in an impact of –0.4 percent on the 2013-2018 Part B FFS trend.

Payment Notice 2018 versus Payment Notice 2017 (Part B)

The projection supporting the 2017 Payment Notice was based on completed experience periods through September 30, 2015. For the 2018 Payment Notice, an additional year of completed experience was used, through September 30, 2016. This additional experience resulted in a CY 2016 USPCC change of 1.87 percent, which is mainly due to higher spending for outpatient hospital services. The change in the CY 2017 USPCC of 2.12 percent is also mainly attributed to increases in outpatient hospital services.

Payment Notice 2018 versus Advance Notice 2018 (Part B)

The CY 2016 USPCC reflected in the 2018 Advance Notice is based on experience periods through September 30, 2016 and cash activity through September 30, 2016. The 2018 Payment Notice is also based on experience through September 2016, with an additional quarter of cash activity through December 31, 2016. The incorporation of additional cash resulted in a CY 2016 USPCC change of 0.40 percent, which is mainly attributed to higher expenditures for physician services. The resulting change in the CY 2017 USPCC of 0.57 percent and the CY 2018 USPCC of 1.01 percent is tied to the higher trend in spending for physician services.

Total USPCC Trends

Total USPCC Trend—Part A, 2013-2018

- Total (FFS plus managed care): 0.4 percent
- FFS trend: 3.2 percent
- Managed care trend: -7.2 percent

Total USPCC Trend—Part B, 2013-2018

- Total (FFS plus managed care): 20.3 percent
- FFS trend: 18.8 percent
- Managed care trend: 21.0 percent

Total USPCC Trend—Parts A and B, 2013-2018

- Total (FFS plus managed care): 10.6 percent
- FFS trend: 11.3 percent
- Managed care trend: 6.8 percent

Payment Notice 2018 versus Payment Notice 2017, Parts A and B

- The total USPCC prior period adjustment for CY 2017 was -0.2 percent.
- The FFS USPCC prior period adjustment for CY 2017 was 0.0 percent.
- The prior period adjustment for the CY 2017 managed care projection was -0.8 percent. This impact is primarily attributed to a revision of the baseline to reflect actual Medicare Advantage bids for 2017.

Payment Notice 2018 versus Advance Notice 2018, Parts A and B

- The adjustment to the total USPCC for CY 2018 is -0.2 percent.
- The adjustment to the FFS USPCC for CY 2018 is -0.1 percent.
- The adjustment to the CY 2018 managed care trend is -0.2 percent. This change is tied to an early tabulation of actual enrollment mix for CY 2017.

CY 2018 Payment Notice
FFS USPCC

Coverage	CY2013	CY2014	CY2015	CY2016	CY 2017	CY 2018	CY2018 growth rate
<u>CY 2017 Payment Notice</u>							
Part A	\$365.58	\$365.88	\$368.23	\$370.33	\$378.95	\$390.23	n/a
Part B	395.99	408.86	426.30	431.08	446.25	462.98	n/a
Total	\$761.57	\$774.74	\$794.53	\$801.41	\$825.20	\$853.21	n/a
<u>CY 2018 Advance Notice</u>							
Part A	\$365.40	\$365.67	\$369.52	\$367.21	\$372.90	\$382.45	0.92%
Part B	395.77	409.03	429.21	437.42	453.13	465.76	4.37%
Total	\$761.17	\$774.70	\$798.73	\$804.63	\$826.03	\$848.21	2.79%
<u>CY 2018 Payment Notice</u>							
Part A	\$365.50	\$365.80	\$370.14	\$367.52	\$369.28	\$377.28	-0.44%
Part B	395.85	409.16	430.15	439.16	455.72	470.45	5.42%
Total	\$761.35	\$774.96	\$800.29	\$806.68	\$825.00	\$847.73	2.73%

Annual trend based on current baseline

							'18/'13
Part A	n/a	0.08%	1.19%	-0.71%	0.48%	2.17%	3.2%
Part B	n/a	3.36%	5.13%	2.09%	3.77%	3.23%	18.8%
Total	n/a	1.79%	3.27%	0.80%	2.27%	2.76%	11.3%

Prior period adjustment: CY 2018 Payment Notice vs. CY 2017 Payment Notice

Part A	-0.02%	-0.02%	0.52%	-0.76%	-2.55%	n/a
Part B	-0.04%	0.07%	0.90%	1.87%	2.12%	n/a
Total	-0.03%	0.03%	0.72%	0.66%	-0.02%	n/a

Prior period adjustment: CY 2018 Payment Notice vs. CY 2018 Advance Notice

Part A	0.03%	0.04%	0.17%	0.08%	-0.97%	-1.35%
Part B	0.02%	0.03%	0.22%	0.40%	0.57%	1.01%
Total	0.02%	0.03%	0.20%	0.25%	-0.12%	-0.06%

CY 2018 Payment Notice
Total USPC

<u>Coverage</u>	<u>CY2003</u>	<u>CY2013</u>	<u>CY2014</u>	<u>CY2015</u>	<u>CY2016</u>	<u>CY 2017</u>	<u>CY 2018</u>	<u>CY2018 growth rate</u>
<u>CY 2017 Payment Notice</u>								
Part A	\$296.18	\$381.32	\$371.80	\$372.10	\$375.95	\$386.02	\$397.89	n/a
Part B	247.66	399.73	418.58	432.53	441.72	456.04	473.50	n/a
Total	\$543.84	\$781.05	\$790.38	\$804.63	\$817.67	\$842.06	\$871.39	n/a
<u>CY 2018 Advance Notice</u>								
Part A	\$296.18	\$381.12	\$371.63	\$374.01	\$374.42	\$380.63	\$388.24	0.58%
Part B	247.66	399.50	418.65	435.80	446.31	460.86	476.58	4.50%
Total	\$543.84	\$780.62	\$790.28	\$809.81	\$820.73	\$841.49	\$864.82	2.70%
<u>CY 2018 Payment Notice</u>								
Part A	\$296.18	\$381.19	\$371.71	\$374.40	\$374.68	\$378.11	\$382.86	-0.82%
Part B	247.66	399.56	418.73	436.25	447.60	462.05	480.53	5.37%
Total	\$543.84	\$780.75	\$790.44	\$810.65	\$822.28	\$840.16	\$863.39	2.53%

Annual trend based on current baseline

									'18/'13
Part A	n/a	n/a	-2.49%	0.72%	0.07%	0.92%	1.26%		0.4%
Part B	n/a	n/a	4.80%	4.18%	2.60%	3.23%	4.00%		20.3%
Total	n/a	n/a	1.24%	2.56%	1.43%	2.17%	2.76%		10.6%

Prior period adjustment: CY 2018 Payment Notice vs. CY 2017 Payment Notice

Part A	0.00%	-0.03%	-0.02%	0.62%	-0.34%	-2.05%	n/a
Part B	0.00%	-0.04%	0.04%	0.86%	1.33%	1.32%	n/a
Total	0.00%	-0.04%	0.01%	0.75%	0.56%	-0.23%	n/a

Prior period adjustment: CY 2018 Payment Notice vs. CY 2018 Advance Notice

Part A	0.00%	0.02%	0.02%	0.10%	0.07%	-0.66%	-1.39%
Part B	0.00%	0.02%	0.02%	0.10%	0.29%	0.26%	0.83%
Total	0.00%	0.02%	0.02%	0.10%	0.19%	-0.16%	-0.17%