

# Health Headlines

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## MedPAC Releases Report on Medicare Payment Policy

On March 15, 2012, the Medicare Payment Advisory Commission (MedPAC) released its March 2012 *Report to the Congress: Medicare Payment Policy* (the “Report”). MedPAC is required to review annually Medicare payment policies and make recommendations to Congress. The Report includes MedPAC’s analyses of payment adequacy in fee-for-service (FFS) Medicare, Medicare Advantage and Part D, and also includes MedPAC’s assessment of the sustainable growth rate (SGR) system for physician payment.

- *Fee-for-service payment update recommendations.* The Report primarily focuses on recommendations for annual rate adjustments under various Medicare FFS payment systems or health care provider sector updates. MedPAC bases these update recommendations on an assessment of payment adequacy, taking into account beneficiary access to care, quality of care, providers’ access to capital and, where available, provider costs and Medicare payments. The Report includes recommendations for inpatient and outpatient hospitals, physicians and other health professionals, ambulatory surgery centers, outpatient dialysis, skilled nursing facilities, home health agencies, inpatient rehabilitation facilities, long term care hospitals and hospice. Please click [here](#) for the MedPAC Fact Sheet summarizing these FFS payment update recommendations.
- *Medicare Advantage.* According to the Report, enrollment continues to grow in the Medicare Advantage (MA) program, and beneficiaries continue to have wide access to plans. Plan performance on quality measures is mixed, but improving. MedPAC notes the positive trend that the MA benchmarks and plan payments have moved closer to FFS levels, and that bids from many plans are below FFS.
- *Part D Program.* Approximately 60% of Medicare beneficiaries were enrolled in Part D plans in 2011, and approximately 36% of those Part D plan enrollees received the low-income subsidy (LIS). According to MedPAC, costs for enrollees receiving LIS are growing rapidly, as high-spending LIS enrollees tend to fill more prescriptions, fill more costly prescriptions and take more brand-name drugs. Since the cost sharing differential for brand name drugs versus generics is insignificant, LIS enrollees do not have an incentive to choose the generic option when available. Thus, MedPAC recommends modifying copayments for LIS enrollees to encourage the use of generics.
- *Sustainable Growth Rate.* MedPAC recommends that Congress fully repeal the SGR and replace it with a 10-year path of statutory fee-schedule updates, comprised of a freeze in current payment levels for primary care and, for all other services, annual payment reductions of 5.9% for 3 years followed by a freeze. Please click [here](#) for the MedPAC Fact Sheet summarizing the SGR recommendations.

A copy of the Report is available by clicking [here](#).

Reporter, *Kerrie S. Howze*, Atlanta, +1 404 572 3594, [khowze@kslaw.com](mailto:khowze@kslaw.com).

**Health Headlines – Editor:**

**Dennis M. Barry**  
dbarry@kslaw.com  
+1 202 626 2959

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