

**Medicare Unit Cost Increases as of April 2017  
2016 to 2018**

The FFS trends below are the Office of the Actuary's current estimate of Medicare unit cost increases by service category for 2016, 2017, and 2018.

- These trends are based on current law and reflect legislated adjustments.
- Legislated adjustments include multifactor productivity and other adjustments required by the Affordable Care Act.
- In developing bid assumptions, certifying actuaries must consider other influences (such as, legislation, selection, and price proxies) that may affect these trends.
- These trends reflect increases (or decreases) in the applicable market basket or fee schedule; they do not include estimates for case-mix or other residual changes.

Service Category	Medicare Unit Cost Increases			Comments
	CY2016	CY2017	CY2018	
<b>Inpatient hospital</b>	0.9%	0.9%	2.3%	Updated on October 1st.
Market basket	2.4%	2.7%	3.9%	—
Documentation & coding	-0.8%	-1.5%	0.5%	—
Legislated adjustments	-0.7%	-1.1%	-1.5%	Productivity plus 0.2% cut for 2016; and plus 0.75% cut for 2017 and 2018.
Per CMS regulations	—	0.8%	-0.6%	Two-midnight policy of +0.8% in 2017 and -0.6% in 2018.
<b>Skilled nursing facility</b>	1.2%	2.4%	1.0%	Updated on October 1st. Per MACRA <sup>1</sup> , the 2018 update is set to 1%.
Market basket	2.3%	2.7%	3.8%	—
Per CMS regulations	-0.6%	0.0%	0.0%	Forecast error adjustment in 2016.
Legislated adjustments	-0.5%	-0.3%	-0.7%	Productivity.
<b>Home health agency</b>	-1.4%	-0.7%	1.0%	Updated on January 1st. Per MACRA, the 2018 update is set to 1%.
Market basket	2.3%	2.8%	3.7%	—
Per CMS regulations	-3.3%	-3.2%	0.0%	Rebasing cut of 2.4% in 2016, and 3.0% in 2017; and case mix cut of 0.9% in 2016 and 2017.
Legislated adjustments	-0.4%	-0.3%	-0.7%	Productivity.
<b>Outpatient hospital</b>	-0.3%	1.7%	2.5%	Updated on January 1st.
Market basket	2.4%	2.7%	3.9%	—
Legislated adjustments	-0.7%	-1.1%	-1.5%	Productivity plus 0.2% cut for 2016; and plus 0.75% cut for 2017 and 2018.
Per CMS regulations	-2.0%	—	—	—
<b>Physician</b>	0.8%	0.5%	0.5%	Updated on January 1st.
<b>Carrier - lab</b>	0.0%	0.7%	1.5%	Updated on January 1st.
Consumer price index (CPI)	0.1%	1.0%	1.9%	—
Legislated adjustments	-0.5%	-0.3%	-0.4%	Productivity in 2016 through 2018, which cannot be negative.
<b>Ambulance</b>	-0.4%	0.7%	1.5%	Updated on January 1st.
Consumer price index (CPI)	0.1%	1.0%	1.9%	—
Legislated adjustments	-0.5%	-0.3%	-0.4%	Productivity.
<b>DME</b>	-0.4%	0.7%	1.5%	Updated on January 1st.
Consumer price index (CPI)	0.1%	1.0%	1.9%	—
Legislated adjustments	-0.5%	-0.3%	-0.4%	Productivity.

<sup>1</sup> Medicare Access and CHIP Reauthorization Act of 2015