

**Medicare Unit Cost Increases  
Reported as of April 2018**

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 2018 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 10, 2018.
- 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 10/1/2016	Actual Change Effective 10/1/2017	Estimated Change Effective 10/1/2018	
<b>Inpatient hospital</b>	0.9%	2.1%	2.6%	
Market basket	2.7%	2.7%	3.6%	—
Documentation & coding	-1.5%	0.5%	0.5%	—
Legislated adjustments	-1.1%	-1.4%	-1.6%	Productivity minus 0.75%.
Per CMS regulations	0.8%	-0.6%	—	Two-midnight policy of +0.8% for the 10/1/2016 change and -0.6% for the 10/1/2017 change.
<b>Skilled nursing facility</b>	2.4%	1.0%	2.4%	Per MACRA <sup>1</sup> , the 10/1/2017 change is set to 1%; per BBA 2018 <sup>2</sup> , the 10/1/2018 change is set to 2.4%.
Market basket	2.7%	2.6%	3.4%	—
Legislated adjustments	-0.3%	-0.6%	-0.8%	Productivity.

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

<sup>2</sup> Bipartisan Budget Act of 2018

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

Service Category	Medicare FFS Unit Cost Increases			Comments
	Actual Change Effective 1/1/2017	Actual Change Effective 1/1/2018	Estimated Change Effective 1/1/2019	
<b>Home health agency</b>	-0.7%	1.0%	2.6%	Changes apply both to Medicare Part A and Part B services. Per MACRA, the 1/1/2018 change is set to 1%.
Market basket	2.8%	2.7%	3.4%	—
Per CMS regulations	-3.2%	-0.9%	0.0%	Rebasing cut of 2.30% for the 1/1/2017 change; case mix cut of 0.9% for the 1/1/2017 and 1/1/2018 changes.
Legislated adjustments	-0.3%	-0.6%	-0.8%	Productivity.
<b>Outpatient hospital</b>	1.7%	1.4%	2.1%	—
Market basket	2.7%	2.7%	3.6%	—
Legislated adjustments	-1.1%	-1.4%	-1.6%	Productivity minus 0.75%.
Per CMS regulations	—	—	—	—
<b>Physician</b>	0.5%	0.5%	0.25%	Per BBA 2018, the 1/1/2019 change is set to 0.25%.
<b>Laboratory</b>	0.7%	-9.5%	-8.5%	Per section 216 of PAMA <sup>3</sup> , changes effective 1/1/18 and 1/1/19 are based on private payor rates.
Consumer price index	1.0%	—	—	—
Legislated adjustments	-0.3%	—	—	Productivity for change effective 1/1/2017.
<b>Ambulance</b>	0.7%	1.1%	1.8%	
Consumer price index	1.0%	1.6%	2.6%	—
Legislated adjustments	-0.3%	-0.5%	-0.7%	Productivity.
<b>DME</b>	0.7%	1.1%	1.8%	—
Consumer price index	1.0%	1.6%	2.5%	—
Legislated adjustments	-0.3%	-0.3%	-0.7%	Productivity.

<sup>3</sup> Protecting Access to Medicare Act of 2014