

CMS Office of the Actuary
2016 Payment Notice
Key Components of USPCC Trends: 2011–2016

Fee-for-Service USPCC Trends—Part A

Highlights of Trends: 2011–2016

- The change in per capita Part A expenditures from 2011 to 2016 is –1.4 percent.
- Averaged across all Part A services, changes in demographics during the period are estimated to have an impact of –2.9 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 –1.2 percent.
 - The change in per capita utilization is –12.7 percent. The majority of this decline occurred from 2011 to 2013 and is primarily attributed to a reduction in cardiovascular admissions and shifting demographics.
 - Case mix increased 4.7 percent during the period.
 - The impact of reductions in disproportionate share hospital (DSH) payments during the period is –6.5 percent.
- Skilled Nursing Facility
 - Per capita expenditures are projected to remain level from 2011 to 2016.
 - The projected utilization trend is –2.1 percent during the period, with a change of –4.0 percent from 2011 to 2013 and an increase of 1.9 percent from 2013 to 2016.
 - The change in the case mix index is 8.2 percent, with a relatively stable trend throughout the period.
- Home Health
 - The 5-year USPCC trend is –1.0 percent.
 - During this period, utilization is projected to increase 0.4 percent, and the case mix trend is 3.6 percent.
- Cost Plans
 - Beginning in 2011, fee-for-service (FFS) claims paid on behalf of cost plan enrollees were excluded from the FFS USPCC tabulation, resulting in an impact of –0.4 percent on the 2011–2016 Part A FFS trend.

Payment Notice 2016 versus Payment Notice 2015 (Part A)

The projection supporting the 2015 Payment Notice was based on completed experience through calendar year (CY) 2013. For the 2016 Payment Notice, an additional year of completed experience was available, through CY 2014. This additional year of experience resulted in a CY 2014 USPCC increase of 1.9 percent, which is primarily attributed to higher inpatient and skilled nursing facility (SNF) utilization.

Payment Notice 2016 versus Advance Notice 2016 (Part A)

The 2016 Advance Notice projection is based on cash expenditures through September 2014. Whereas the CY 2014 USPCC estimate in the 2016 Payment Notice is based on twelve months of cash for 2014. The result of this update is a CY 2014 USPCC increase of 0.9 percent due to higher inpatient and SNF utilization. An additional adjustment from the 2016 Advance Notice to the 2016 Payment Notice of 0.6 percent for CY 2015 is also due to an increase in the 2015 inpatient and SNF utilization trend. These prior period adjustments are carried forward into the CY 2016 projection and are partnered with an additional 0.7 percent trend in CY 2016 that stems from higher projected increases in market baskets.

Fee-for-Service USPPCC Trends—Part B

Highlights of Trends: 2011–2016

- The change in per capita Part B expenditures from 2011 to 2016 is 12.3 percent.
- Averaged across all Part B services, changes in demographics for the 5 years are estimated to have an impact of –0.7 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 2.8 percent from 2011 to 2016, due primarily to higher volume and intensity.
- Part B Hospital
 - The trend for the 5 years is 54.1 percent.
 - The primary drivers of this trend are volume and intensity, which is projected to increase 33.5 percent during the period, and market baskets, with a trend of 15.5 percent. The balance of the increase is attributed to positive trends in outlier payments and pass-through payments.
- Home Health
 - The 5-year trend is 1.8 percent.
 - The primary drivers of this trend 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 2011 to 2016 is –24.2 percent.
 - This trend is dominated by the introduction and expansion of the durable medical equipment (DME) competitive bidding program, which covers 100 metropolitan statistical areas (MSAs), plus a national mail order program for diabetes-testing supplies. The estimated savings from the competitive bidding program amount to more than 20 percent.
- Other Carrier
 - Services in the “other carrier” category include ambulatory surgical centers (ASCs), ambulance, chemotherapy drugs, other physician-administered drugs, and medical supplies.
 - The 5-year trend for this category is 10.9 percent.
 - For the period 2011–2016, per capita spending for physician-administered drugs is projected to increase 18.5 percent.
 - For services other than physician-administered drugs, the 2011–2016 trend is 4.6 percent for price and 9.0 percent for volume and intensity.
- Intermediary, other than outpatient hospital
 - Services in the “other intermediary” category include intermediary laboratory, therapy services, dialysis facilities, rural health clinics, and federally qualified health centers.
 - The 5-year trend for this category is –5.8 percent, reflecting (i) a policy change that moved certain laboratory services into the outpatient prospective system and out of the laboratory fee schedule, and (ii) the impact of the scheduled therapy caps.
- Cost Plans
 - Beginning in 2011, fee-for-service claims paid on behalf of cost plan enrollees were excluded from the FFS USPPCC tabulation, resulting in an impact of –0.2 percent on the 2011–2016 Part B FFS trend.

Payment Notice 2016 versus Payment Notice 2015 (Part B)

Per capita spending for CY 2014 is up 2.6 percent due to more recent data. Actual historical data indicates somewhat higher than expected spending for outpatient hospital and other intermediary, which includes facilities providing dialysis services, facilities providing therapy services, and other small Part B facilities. Both of these categories continue to grow steadily, and grew more rapidly than estimated for 2014. An improvement in the historical tabulation has moved some spending out of the outpatient hospital category

and the intermediary laboratory category, and into the other intermediary category. This higher level of spending is expected to continue in 2015 and later years.

Payment Notice 2016 versus Advance Notice 2016 (Part B)

CY 2014 spending is up 1.8 percent due to more recent data. The CY 2014 USPCC reflected in the 2016 Advance Notice is based on 6 months of actual incurred experience for 2014, whereas the CY 2014 USPCC reflected in the 2016 Payment Notice is based on 12 months of actual incurred experience for CY 2014. Actual historical spending shows somewhat higher than expected spending for most Part B types of service. Outpatient hospital and other intermediary continue to grow steadily, and grew more rapidly than expected for 2014. The increase for CY 2014 is carried forward into CY 2015 and CY 2016, when the increases are 2.2 percent and 2.8 percent, respectively.

Total USPCC Trends

Total USPCC Trend—Part A, 2011–2016

- Total (FFS plus managed care): -3.7 percent
- FFS trend: -1.4 percent
- Managed care trend: -11.0 percent

Total USPCC Trend—Part B, 2011–2016

- Total (FFS plus managed care): 14.3 percent
- FFS trend: 12.3 percent
- Managed care trend: 17.3 percent

Total USPCC Trend—Parts A and B, 2011–2016

- Total (FFS plus managed care): 5.3 percent
- FFS trend: 5.5 percent
- Managed care trend: 2.5 percent

Payment Notice 2016 versus Payment Notice 2015, Parts A and B

- The total USPCC prior period adjustment for CY 2015 was 3.0 percent.
- The FFS USPCC prior period adjustment for CY 2015 was 2.1 percent.
- The prior period adjustment for the 2015 managed care projection was 4.4 percent. This adjustment is attributable to (i) higher risk scores in 2014 that carried forward into 2015, and (ii) the effects of Medicare Advantage risk score policies from the 2015 Payment Notice.

Payment Notice 2016 versus Advance Notice 2016, Parts A and B

- The adjustment to the total USPCC for CY 2016 is 2.4 percent.
- The adjustment to the FFS USPCC for CY 2016 is 2.6 percent.
- The adjustment to the CY 2016 managed care trend is 2.0 percent. This increase is largely due to the corresponding increase in the FFS trend offset by lower per capita Part C spending for CY 2015 than previously projected.

CY 2016 Payment Notice
FFS USPC

Coverage	CY2011	CY2012	CY2013	CY2014	CY2015	CY2016	CY2016 growth rate
CY 2015 Payment Notice							
Part A	\$371.16	\$353.75	\$359.28	\$358.09	\$358.67	\$363.95	n/a
Part B	383.77	391.46	393.53	399.37	410.17	421.69	n/a
Total	\$754.93	\$745.21	\$752.81	\$757.46	\$768.84	\$785.64	n/a
CY 2016 Advance Notice							
Part A	\$373.33	\$358.65	\$363.98	\$361.47	\$357.62	\$360.31	0.46%
Part B	383.94	391.55	395.93	402.75	413.09	419.81	2.35%
Total	\$757.27	\$750.20	\$759.91	\$764.22	\$770.71	\$780.12	1.47%
CY 2016 Payment Notice							
Part A	\$373.73	\$359.23	\$365.16	\$364.88	\$362.92	\$368.54	2.75%
Part B	384.47	392.02	396.51	409.90	422.05	431.67	5.24%
Total	\$758.20	\$751.25	\$761.67	\$774.78	\$784.97	\$800.21	4.08%

Coverage	CY2011	CY2012	CY2013	CY2014	CY2015	CY2016	2011-16 growth rate
Annual trend based on current baseline							
Part A	n/a	-3.88%	1.65%	-0.08%	-0.54%	1.55%	-1.39%
Part B	n/a	1.96%	1.15%	3.38%	2.96%	2.28%	12.28%
Total	n/a	-0.92%	1.39%	1.72%	1.32%	1.94%	5.54%
Prior period adjustment: CY 2016 Payment Notice vs. CY 2015 Payment Notice							
Part A	0.69%	1.55%	1.64%	1.90%	1.18%	n/a	
Part B	0.18%	0.14%	0.76%	2.64%	2.90%	n/a	
Total	0.43%	0.81%	1.18%	2.29%	2.10%	n/a	
Prior period adjustment: CY 2016 Payment Notice vs. CY 2016 Advance Notice							
Part A	0.11%	0.16%	0.32%	0.94%	1.48%	2.28%	
Part B	0.14%	0.12%	0.15%	1.78%	2.17%	2.83%	
Total	0.12%	0.14%	0.23%	1.38%	1.85%	2.58%	

CY 2016 Payment Notice**Total USPPC**

Coverage	CY 2003	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	CY2016 growth rate
<u>CY 2015 Payment Notice</u>								
Part A	\$295.77	\$387.89	\$375.27	\$376.48	\$366.12	\$360.16	\$366.13	n/a
Part B	247.41	385.86	392.69	397.25	411.17	416.59	428.68	n/a
Total	\$543.18	\$773.75	\$767.96	\$773.73	\$777.29	\$776.75	\$794.81	n/a
<u>CY 2016 Advance Notice</u>								
Part A	\$295.77	\$389.47	\$378.65	\$380.40	\$369.75	\$364.81	\$367.26	1.97%
Part B	247.41	385.95	392.55	399.90	415.25	423.76	430.33	3.30%
Total	\$543.18	\$775.42	\$771.20	\$780.30	\$785.00	\$788.57	\$797.59	2.68%
<u>CY 2016 Payment Notice</u>								
Part A	\$296.18	\$389.75	\$379.07	\$381.24	\$371.91	\$369.18	\$375.14	4.02%
Part B	247.64	386.33	392.90	400.31	419.91	430.51	441.69	5.93%
Total	\$543.82	\$776.08	\$771.97	\$781.55	\$791.82	\$799.69	\$816.83	5.04%

Coverage	CY 2003	CY 2011	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016	2011-16 growth rate
<u>Annual trend based on current baseline</u>								
Part A	n/a	n/a	-2.74%	0.57%	-2.45%	-0.73%	1.61%	-3.75%
Part B	n/a	n/a	1.70%	1.89%	4.90%	2.52%	2.60%	14.33%
Total	n/a	n/a	-0.53%	1.24%	1.31%	0.99%	2.14%	5.25%
<u>Prior period adjustment: CY 2016 Payment Notice vs. CY 2015 Payment Notice</u>								
Part A	-0.14%	0.48%	1.01%	1.26%	1.58%	2.50%	n/a	
Part B	-0.09%	0.12%	0.05%	0.77%	2.13%	3.34%	n/a	
Total	-0.12%	0.30%	0.52%	1.01%	1.87%	2.95%	n/a	
<u>Prior period adjustment: CY 2016 Payment Notice vs. CY 2016 Advance Notice</u>								
Part A	-0.14%	0.07%	0.11%	0.22%	0.58%	1.20%	2.15%	
Part B	-0.09%	0.10%	0.09%	0.10%	1.12%	1.59%	2.64%	
Total	-0.12%	0.09%	0.10%	0.16%	0.87%	1.41%	2.41%	