

**CMS Office of the Actuary**  
**2017 Payment Notice**  
**Key Components of USPCC Trends: 2012-2017**

**Fee-for-Service USPCC Trends—Part A**

***Highlights of Trends: 2012-2017***

- The change in per capita Part A expenditures from 2012 to 2017 is 5.4 percent.
- Averaged across all Part A services, changes in demographics during the period are estimated to have an impact of –2.2 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 3.7 percent.
  - The change in per capita utilization is –5.9 percent. The majority of this decline occurred from 2012 to 2014 and is primarily attributed to a reduction in cardiovascular admissions and shifting demographics.
  - Case mix increased 4.5 percent during the period.
  - The impact of reductions in disproportionate share hospital (DSH) payments during the period is –1.3 percent.
- Skilled Nursing Facility
  - Per capita expenditures are projected to increase 17.0 percent from 2012 to 2017.
  - The projected utilization trend is 2.0 percent during the period, with a change of –1.9 percent from 2012 to 2014 and an increase of 3.9 percent from 2014 to 2017.
  - The change in the case mix index is 7.9 percent, with a relatively stable trend throughout the period.
- Home Health
  - The 5-year USPCC trend is 1.5 percent.
  - During this period, utilization is projected to increase 3.8 percent, and the case mix trend is 6.8 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 2012, 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 2012-2017 Part A FFS trend.

***Payment Notice 2017 versus Payment Notice 2016 (Part A)***

The projection supporting the 2016 Payment Notice was based on completed experience through calendar year (CY) 2014. For the 2017 Payment Notice, an additional 9 months of completed experience was available, through September 30, 2015. This additional 9 months of experience resulted in a CY 2015 USPCC increase of 1.46 percent, which is primarily attributed to higher inpatient utilization. The update of 0.49 percent in the CY 2016 projection is lower than that for CY 2015 mainly due to a reduction in the 2016 market basket update.

***Payment Notice 2017 versus Advance Notice 2017 (Part A)***

The CY 2015 USPCC reflected in the 2017 Advance Notice is based on actual data through September 30, 2015, which is the same experience period on which the 2017 Payment Notice is based. The small change in the CY 2016 USPCC of –0.17 is due to a correction in the skilled nursing facility (SNF) forecast for fiscal year 2016.

## Fee-for-Service USPCC Trends—Part B

### *Highlights of Trends: 2012-2017*

- The change in per capita Part B expenditures from 2012 to 2017 is 13.8 percent.
- Averaged across all Part B services, changes in demographics for the 5 years are estimated to have an impact of –0.6 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 5.2 percent from 2012 to 2017, due primarily to higher volume and intensity.
- Part B Hospital (outpatient hospital)
  - The trend for the 5 years is 46.2 percent.
  - The primary drivers of this trend are volume and intensity, which are projected to increase 30.5 percent during the period, and market baskets, with a trend of 14.8 percent.
- Home Health
  - The 5-year trend is 3.2 percent.
  - During this period, utilization is projected to increase 3.8 percent, and the case mix trend is 6.8 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 2012 to 2017 is –20.8 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. Additionally, beginning in CY 2016, the competitively bid prices are applied to payments outside the bidding areas. The estimated savings from the competitive bidding program amount to more than 20 percent.
- Other Carrier
  - This category includes ambulatory surgical centers (ASCs), ambulance services, chemotherapy drugs, other physician-administered drugs, and medical supplies.
  - The 5-year trend for this category is 15.1 percent.
  - For the period 2012-2017, per capita spending for physician-administered drugs is projected to increase 25.8 percent.
  - For services other than physician-administered drugs, the 2012-2017 trend is 3.4 percent for price and 8.4 percent for volume and intensity.
- 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 7.41 percent, with an average annual growth rate of –3.5 percent for 2012-2014 and 4.9 percent for 2014-2017.
  - The negative trend for 2012-2014 is largely due to the 2013 implementation of a Manual Medicare Review process for therapy services and the re-categorization of specific laboratory services to the Part B hospital category beginning in 2014.
- Cost Plans
  - Beginning in 2012, FFS claims paid on behalf of cost plan enrollees are excluded from the FFS USPCC tabulation, resulting in an impact of –0.3 percent on the 2012-2017 Part B FFS trend.

### ***Payment Notice 2017 versus Payment Notice 2016 (Part B)***

The projection supporting the 2016 Payment Notice was based on completed experience through CY 2014. For the 2017 Payment Notice, an additional 9 months of completed experience was available, through September 30, 2015. This additional 9 months of experience resulted in a CY 2015 USPCC increase of 1.01 percent, which is largely due to increased utilization of physician and other carrier services. The CY 2016 USPCC is essentially unchanged at -0.14 percent.

### ***Payment Notice 2017 versus Advance Notice 2017 (Part B)***

The CY 2015 USPCC reflected in the 2017 Advance Notice is based on actual data through September 30, 2015, which is the same experience period on which the 2017 Payment Notice is based. The CY 2016 USPCC increased by 0.12 percent due mainly to an increase in the projected use of DME services.

## **Total USPCC Trends**

### ***Total USPCC Trend—Part A, 2012-2017***

- Total (FFS plus managed care): 1.8 percent
- FFS trend: 5.4 percent
- Managed care trend: -8.3 percent

### ***Total USPCC Trend—Part B, 2012-2017***

- Total (FFS plus managed care): 16.1 percent
- FFS trend: 13.8 percent
- Managed care trend: 19.3 percent

### ***Total USPCC Trend—Parts A and B, 2012-2017***

- Total (FFS plus managed care): 9.0 percent
- FFS trend: 9.8 percent
- Managed care trend: 5.0 percent

### ***Payment Notice 2017 versus Payment Notice 2016, Parts A and B***

- The total USPCC prior period adjustment for CY 2016 was 0.10 percent.
- The FFS USPCC prior period adjustment for CY 2016 was 0.15 percent.
- The prior period adjustment for the CY 2016 managed care projection was -0.3 percent. This adjustment is primarily due to a mix of enrollment by geography and plan type that is different than originally projected.

### ***Payment Notice 2017 versus Advance Notice 2017, Parts A and B***

- The adjustment to the total USPCC for CY 2017 is 0.16 percent.
- The adjustment to the FFS USPCC for CY 2017 is 0.06 percent.
- The adjustment to the CY 2017 managed care trend is 0.2 percent. This increase is largely due to the corresponding increase in the FFS trend and to the use of actual 2016 plan enrollment data in the projection of 2016 Medicare Advantage payments.

**CY 2017 Payment Notice**  
**FFS USPC**

Coverage	CY2012	CY2013	CY2014	CY2015	CY2016	CY 2017	CY2017 growth rate
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**CY 2016 Payment Notice**

Part A	\$359.23	\$365.16	\$364.88	\$362.92	\$368.54	\$380.46	n/a
Part B	392.02	396.51	409.90	422.05	431.67	451.24	n/a
<b>Total</b>	<b>\$751.25</b>	<b>\$761.67</b>	<b>\$774.78</b>	<b>\$784.97</b>	<b>\$800.21</b>	<b>\$831.70</b>	<b>n/a</b>

**CY 2017 Advance Notice**

Part A	\$359.57	\$365.58	\$365.88	\$368.49	\$370.96	\$377.29	2.37%
Part B	392.07	395.98	408.37	423.11	430.57	447.44	3.65%
<b>Total</b>	<b>\$751.64</b>	<b>\$761.56</b>	<b>\$774.25</b>	<b>\$791.60</b>	<b>\$801.53</b>	<b>\$824.73</b>	<b>3.06%</b>

**CY 2017 Payment Notice**

Part A	\$359.57	\$365.58	\$365.88	\$368.23	\$370.33	\$378.95	2.82%
Part B	392.07	395.99	408.86	426.30	431.08	446.25	3.38%
<b>Total</b>	<b>\$751.64</b>	<b>\$761.57</b>	<b>\$774.74</b>	<b>\$794.53</b>	<b>\$801.41</b>	<b>\$825.20</b>	<b>3.12%</b>

Coverage	CY2012	CY2013	CY2014	CY2015	CY2016	CY 2017	2012-17 growth rate
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**Annual trend based on current baseline**

Part A	n/a	1.67%	0.08%	0.64%	0.57%	2.33%	5.4%
Part B	n/a	1.00%	3.25%	4.27%	1.12%	3.52%	13.8%
<b>Total</b>	<b>n/a</b>	<b>1.32%</b>	<b>1.73%</b>	<b>2.55%</b>	<b>0.87%</b>	<b>2.97%</b>	<b>9.8%</b>

**Prior period adjustment: CY 2017 Payment Notice vs. CY 2016 Payment Notice**

Part A	0.09%	0.12%	0.27%	1.46%	0.49%	n/a
Part B	0.01%	-0.13%	-0.25%	1.01%	-0.14%	n/a
<b>Total</b>	<b>0.05%</b>	<b>-0.01%</b>	<b>-0.01%</b>	<b>1.22%</b>	<b>0.15%</b>	<b>n/a</b>

**Prior period adjustment: CY 2017 Payment Notice vs. CY 2017 Advance Notice**

Part A	0.00%	0.00%	0.00%	-0.07%	-0.17%	0.44%
Part B	0.00%	0.00%	0.12%	0.75%	0.12%	-0.27%
<b>Total</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.06%</b>	<b>0.37%</b>	<b>-0.01%</b>	<b>0.06%</b>

**CY 2017 Payment Notice****Total USPC**

Coverage	CY2003	CY2012	CY2013	CY2014	CY2015	CY2016	CY 2017	CY2017 growth rate
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**CY 2016 Payment Notice**

Part A	\$296.18	\$379.07	\$381.24	\$371.91	\$369.18	\$375.14	\$386.12	n/a
Part B	247.64	392.90	400.31	419.91	430.51	441.69	460.23	n/a
<b>Total</b>	<b>\$543.82</b>	<b>\$771.97</b>	<b>\$781.55</b>	<b>\$791.82</b>	<b>\$799.69</b>	<b>\$816.83</b>	<b>\$846.35</b>	<b>n/a</b>

**CY 2017 Advance Notice**

Part A	\$296.18	\$379.27	\$381.31	\$371.88	\$372.27	\$377.08	\$384.26	2.43%
Part B	247.66	392.89	399.71	418.26	430.39	441.70	456.43	3.33%
<b>Total</b>	<b>\$543.84</b>	<b>\$772.16</b>	<b>\$781.02</b>	<b>\$790.14</b>	<b>\$802.66</b>	<b>\$818.78</b>	<b>\$840.69</b>	<b>2.92%</b>

**CY 2017 Payment Notice**

Part A	\$296.18	\$379.28	\$381.32	\$371.80	\$372.10	\$375.95	\$386.02	2.90%
Part B	247.66	392.90	399.73	418.58	432.53	441.72	456.04	3.24%
<b>Total</b>	<b>\$543.84</b>	<b>\$772.18</b>	<b>\$781.05</b>	<b>\$790.38</b>	<b>\$804.63</b>	<b>\$817.67</b>	<b>\$842.06</b>	<b>3.08%</b>

Coverage	CY2003	CY2012	CY2013	CY2014	CY2015	CY2016	CY 2017	2012-17 growth rate
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**Annual trend based on current baseline**

Part A	n/a	n/a	0.54%	-2.50%	0.08%	1.03%	2.68%	1.8%
Part B	n/a	n/a	1.74%	4.72%	3.33%	2.12%	3.24%	16.1%
<b>Total</b>	<b>n/a</b>	<b>n/a</b>	<b>1.15%</b>	<b>1.19%</b>	<b>1.80%</b>	<b>1.62%</b>	<b>2.98%</b>	<b>9.0%</b>

**Prior period adjustment: CY 2017 Payment Notice vs. CY 2016 Payment Notice**

Part A	0.00%	0.06%	0.02%	-0.03%	0.79%	0.22%	n/a
Part B	-0.01%	0.00%	-0.14%	-0.32%	0.47%	0.01%	n/a
<b>Total</b>	<b>0.00%</b>	<b>0.03%</b>	<b>-0.06%</b>	<b>-0.18%</b>	<b>0.62%</b>	<b>0.10%</b>	<b>n/a</b>

**Prior period adjustment: CY 2017 Payment Notice vs. CY 2017 Advance Notice**

Part A	0.00%	0.00%	0.00%	-0.02%	-0.05%	-0.30%	0.46%
Part B	0.00%	0.00%	0.01%	0.08%	0.50%	0.00%	-0.09%
<b>Total</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.03%</b>	<b>0.25%</b>	<b>-0.14%</b>	<b>0.16%</b>