

CMS Office of the Actuary

Payment Notice 2019

Key Components of United States Per Capita Cost (USPCC) Trends: 2014-2019

Fee-for-Service USPCC Trends—Part A

Highlights of Trends: 2014-2019

- The projected change in per capita Part A expenditures from 2014 to 2019 is 6.6 percent.
- Averaged across all Part A services, changes in demographics during the period are estimated to have an impact of –1.5 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 8.1 percent.
 - The change in per capita utilization is –3.6 percent.
 - Case mix increased 5.1 percent during the period.
- Skilled Nursing Facility
 - Per capita expenditures are projected to increase 1.5 percent from 2014 to 2019.
 - The projected utilization trend is –8.9 percent during the period, with a change of –9.2 percent from 2014 to 2017 and an increase of 0.3 percent from 2017 to 2019.
 - The change in the case mix index is 2.6 percent, with a relatively stable trend throughout the period.
- Home Health
 - The 5-year USPCC trend is 10.6 percent.
 - During this period, Part A and Part B utilization is projected to increase 1.1 percent, and the case mix trend is 8.2 percent.
- Cost Plans
 - Beginning in 2013, 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 2014-2019 Part A FFS trend.

Payment Notice 2019 versus Payment Notice 2018 and Advance Notice 2019 (Part A)

The projection supporting Payment Notice (PN) 2018 is based on incurred experience through September 30, 2016 and cash activity through December 31, 2016. Advance Notice (AN) 2019 USPCCs are based on program experience through September 30, 2017 and cash activity through September 30, 2017. The projections supporting PN 2019 are based on incurred experience through September 30, 2017 and cash activity through December 31, 2017. Assumptions for utilization, case mix, and economics for each exercise reflect the most current expectation of program expenditures at the time of the exercise. Further, PN 2019 reflects the estimated provisions of the Bipartisan Budget Act of 2018 (BBA 2018).

The additional program experience and assumption changes result in a calendar year (CY) 2016 USPCC change from PN 2018 to PN 2019 of 2.00 percent. This increase is primarily attributed to higher expected hospital cost report settlements for fiscal years (FYs) 2016 and later. Additionally, beginning with FY 2019, the Uncompensated Care Payments (UCPs) are projected to increase due to an expected rise in the United States uninsured population. Offsetting these increases are lower trends in skilled nursing utilization and case mix. Collectively, these changes result in an increase in the CY 2018 FFS USPCC of 1.14 percent from PN 2018 to PN 2019.

The primary drivers of the changes in USPCCs from AN 2019 to PN 2019 are updated assumptions for utilization, case mix, revised market baskets, and revisions to the projection of UCPs. The aggregate impact of these changes is an increase in the CY 2019 USPCC of 0.41 percent.

Fee-for-Service USPCC Trends—Part B

Highlights of Trends: 2014-2019

- The projected change in per capita Part B expenditures from 2014 to 2019 is 22.1 percent.
- Averaged across all Part B services, changes in demographics for the 5 years are estimated to have a negligible impact on the demographic trend.
- Physician Fee Schedule
 - Per capita expenditures are projected to increase 12.3 percent from 2014 to 2019, due primarily to the trend in volume and intensity.
- Outpatient Hospital
 - The trend for the 5 years is 45.2 percent.
 - The primary drivers of this trend are volume and intensity, which are projected to increase 29.3 percent during the period, and market baskets, with a trend of 15.1 percent.
- Home Health
 - The 5-year trend is 10.1 percent.
 - During this period, Part A and Part B utilization is projected to increase 1.1 percent, and the case mix trend is 8.2 percent.
- Durable Medical Equipment
 - The trend from 2014 to 2019 is 4.5 percent.
 - The trend for 2014-2018 of -3.9 percent reflects the impact of the expansion of the durable medical equipment (DME) competitive bidding program, plus a national mail order program for diabetes-testing supplies. The growth in 2019 of 8.7 percent reflects anticipated changes in the bidding program starting January 1, 2019.
- Other Carrier
 - This category includes carrier laboratory services, ambulatory surgical centers (ASCs), ambulance services, chemotherapy drugs, other physician-administered drugs, and medical supplies.
 - The 5-year trend for this category is 31.2 percent.
- 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 23.8 percent.
- Cost Plans
 - Beginning in 2014, 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 2014-2019 Part B FFS trend.

Payment Notice 2019 versus Payment Notice 2018 and Advance Notice 2019 (Part B)

The projection supporting PN 2018 is based on incurred experience through September 30, 2016 and cash activity through December 31, 2016. AN 2019 USPCCs are based on program experience through September 30, 2017 and cash activity through September 30, 2017. The projections supporting PN 2019 are based on incurred experience through September 30, 2017 and cash activity through December 31, 2017. Assumptions for utilization, case mix, and economics for all exercises reflect the most current expectation of program expenditures. Further, PN 2019 reflects the estimated provisions of BBA 2018.

The additional program experience, assumption changes, and revisions due to BBA 2018 result in a CY 2018 USPCC change of 0.93 percent from PN 2018 to PN 2019. The largest components of this change are the elimination of therapy caps and extension of physician Geographic Practice Cost Index (GPCI) work floors under BBA 2018.

The additional experience, assumption changes, and revisions due to BBA 2018 result in a CY 2019 USPCC change of 1.45 percent from AN 2019 to PN 2019. The biggest drivers of this change are the elimination of therapy caps and extension of physician GPCI work floors under BBA 2018, along with higher projected spending for outpatient hospital services due to higher market basket updates and higher utilization trend.

Total USPCC Trends

Total USPCC Trend—Part A, 2014-2019

- Total (FFS plus managed care): 7.4 percent
- FFS trend: 6.6 percent
- Managed care trend: 8.0 percent

Total USPCC Trend—Part B, 2014-2019

- Total (FFS plus managed care): 22.8 percent
- FFS trend: 22.1 percent
- Managed care trend: 22.3 percent

Total USPCC Trend—Parts A and B, 2014-2019

- Total (FFS plus managed care): 15.6 percent
- FFS trend: 14.8 percent
- Managed care trend: 15.7 percent

Payment Notice 2019 versus Payment Notice 2018, Parts A and B

- The total USPCC prior period adjustment for CY 2018 is 1.8 percent.
- The FFS USPCC prior period adjustment for CY 2018 is 1.0 percent.
- The prior period adjustment for the CY 2018 managed care projection is 3.1 percent. This impact is primarily attributed to a revision of the baseline to reflect actual Medicare Advantage (MA) risk scores for CYs 2016 and 2017 and the approved bids for CY 2018.

Payment Notice 2019 versus Advance Notice 2019, Parts A and B

- The adjustment to the total USPCC for CY 2019 is 0.5 percent.
- The adjustment to the FFS USPCC for CY 2019 is 0.9 percent.
- The adjustment to the CY 2019 managed care trend is -0.1 percent. This change is tied to an expectation that the risk score normalization will increase in CY 2019 offset by a higher trend in the FFS USPCC for CY 2019.

Notes about PN 2019 USPCC values and trends:

- The USPCCs are published in accordance with section 1853(b)(1) of the Social Security Act.
- The USPCCs are based on current law and reflect legislated adjustments.
- The FFS USPCCs reflect actual and projected Medicare Part A and Part B enrollment and program expenditures for non-end-stage renal disease (ESRD) beneficiaries enrolled in the Medicare FFS program.
- The total USPCCs reflect actual and projected Medicare Part A and Part B enrollment and program expenditures for non-ESRD beneficiaries enrolled in all types of coverage, including FFS Medicare, the MA program, cost plans, and the Program of All-Inclusive Care for the Elderly (PACE).
- The USPCC values and trends may not be directly applicable to the preparation of CY 2019 MA bids and supporting assumptions. In particular, MA bids may differ from the USPCCs in enrollee geographic distribution, enrollee demographic / risk profiles, provider contracting arrangements, care management, and other respects.

Payment Notice 2019
FFS USPCC

Coverage	CY2014	CY2015	CY2016	CY2017	CY2018	CY2019	CY2019 growth rate
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CY Payment Notice 2018

Part A	\$365.80	\$370.14	\$367.52	\$369.28	\$377.28	\$390.42	n/a
Part B	409.16	430.15	439.16	455.72	470.45	498.55	n/a
Total	\$774.96	\$800.29	\$806.68	\$825.00	\$847.73	\$888.97	n/a

Advance Notice 2019

Part A	\$366.25	\$371.54	\$375.00	\$377.95	\$379.90	\$390.02	3.38%
Part B	408.81	429.12	436.56	456.08	470.02	492.31	4.65%
Total	\$775.06	\$800.66	\$811.56	\$834.03	\$849.92	\$882.33	4.08%

Payment Notice 2019

Part A	\$367.40	\$372.76	\$374.86	\$376.30	\$381.58	\$391.63	3.80%
Part B	409.08	429.23	436.55	456.25	474.83	499.44	6.16%
Total	\$776.48	\$801.99	\$811.41	\$832.55	\$856.41	\$891.07	5.11%

Annual trend based on Payment Notice 2019

							'19/'14
Part A	n/a	1.46%	0.56%	0.38%	1.40%	2.63%	6.6%
Part B	n/a	4.93%	1.71%	4.51%	4.07%	5.18%	22.1%
Total	n/a	3.29%	1.17%	2.61%	2.87%	4.05%	14.8%

Prior period adjustment: Payment Notice 2019 vs. Payment Notice 2018

Part A	0.44%	0.71%	2.00%	1.90%	1.14%	n/a
Part B	-0.02%	-0.21%	-0.59%	0.12%	0.93%	n/a
Total	0.20%	0.21%	0.59%	0.92%	1.02%	n/a

Prior period adjustment: Payment Notice 2019 vs. Advance Notice 2019

Part A	0.31%	0.33%	-0.04%	-0.44%	0.44%	0.41%
Part B	0.07%	0.03%	0.00%	0.04%	1.02%	1.45%
Total	0.18%	0.17%	-0.02%	-0.18%	0.76%	0.99%

Payment Notice 2019
Total USPPC

Coverage	CY2003	CY2014	CY2015	CY2016	CY2017	CY2018	CY2019	CY2019 growth rate
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Payment Notice 2018

Part A	\$296.18	\$371.71	\$374.40	\$374.68	\$378.11	\$382.86	\$396.50	n/a
Part B	247.66	418.73	436.25	447.60	462.05	480.53	511.10	n/a
Total	\$543.84	\$790.44	\$810.65	\$822.28	\$840.16	\$863.39	\$907.60	n/a

Advance Notice 2019

Part A	\$296.18	\$371.96	\$375.48	\$380.16	\$386.19	\$389.05	\$400.71	4.66%
Part B	247.66	418.42	435.69	446.33	464.62	485.88	509.67	6.06%
Total	\$543.84	\$790.38	\$811.17	\$826.49	\$850.81	\$874.93	\$910.38	5.44%

Payment Notice 2019

Part A	\$296.18	\$372.77	\$376.31	\$380.07	\$384.70	\$390.02	\$400.52	4.61%
Part B	247.66	418.59	435.76	446.33	464.36	488.79	514.10	6.99%
Total	\$543.84	\$791.36	\$812.07	\$826.40	\$849.06	\$878.81	\$914.62	5.93%

Annual trend based on Payment Notice 2019

Part A	n/a	n/a	0.95%	1.00%	1.22%	1.38%	2.69%	'19/'14 7.4%
Part B	n/a	n/a	4.10%	2.43%	4.04%	5.26%	5.18%	22.8%
Total	n/a	n/a	2.62%	1.76%	2.74%	3.50%	4.07%	15.6%

Prior period adjustment: Payment Notice 2019 vs. Payment Notice 2018

Part A	0.00%	0.29%	0.51%	1.44%	1.74%	1.87%	n/a
Part B	0.00%	-0.03%	-0.11%	-0.28%	0.50%	1.72%	n/a
Total	0.00%	0.12%	0.18%	0.50%	1.06%	1.79%	n/a

Prior period adjustment: Payment Notice 2019 vs. Advance Notice 2019

Part A	0.00%	0.22%	0.22%	-0.02%	-0.39%	0.25%	-0.05%
Part B	0.00%	0.04%	0.02%	0.00%	-0.06%	0.60%	0.87%
Total	0.00%	0.12%	0.11%	-0.01%	-0.21%	0.44%	0.47%