



California

Three-Year Estimated Projections - Health Reform Impact on Medicare Provider Payments

Medicare Payment Reductions

Medicare Update Factors	Estimated 3-Year Total	2010 Rate Year	2011 Rate Year	2012 Rate Year	Description	Rate Year Period
Inpatient	(\$260,345,000)	(\$12,413,000)	(\$50,754,000)	(\$197,178,000)	Rate year (RY) 2010 inpatient marketbasket reduction of 0.25 percent is effective 4/1/2010; not retroactive to the start of the rate year. RY 2011 marketbasket reduction of 0.25. RY 2012 marketbasket reductions of 0.10 plus 1.3 (est'd) for productivity.	October 1 - September 30
Outpatient	(\$62,585,000)	(\$5,691,000)	(\$11,646,000)	(\$45,248,000)	RY 2010 outpatient marketbasket reduction of 0.25 percent is retroactive to 1/1/2010. RY 2011 marketbasket reduction of 0.25. RY 2012 marketbasket reductions of 0.10 plus 1.3 (est'd) for productivity.	January 1 - December 31
Inpatient Rehab	(\$9,366,000)	(\$433,000)	(\$1,811,000)	(\$7,122,000)	RY 2010 inpatient rehabilitation marketbasket reduction of 0.25 percent is effective 4/1/2010; not retroactive to the start of the rate year. RY 2011 marketbasket reduction of 0.25. RY 2012 marketbasket reductions of 0.10 plus 1.3 (est'd) for productivity.	October 1 - September 30
Inpatient Psychiatric	(\$8,373,000)	Not Applicable	(\$995,000)	(\$7,378,000)	RY 2011 inpatient psychiatric facility marketbasket reduction of 0.25 percent is effective 7/1/2010 (the rate year beginning in 2010). RY 2012 marketbasket reductions of 0.25 plus 1.3 (est'd) for productivity.	July 1 - June 30
Long Term Care Hospital	(\$13,148,000)	(\$525,000)	(\$3,209,000)	(\$9,414,000)	RY 2010 LTCH marketbasket reduction of 0.25 percent is effective 4/1/2010; not retroactive to the start of the rate year. RY 2011 marketbasket reduction of 0.50. RY 2012 marketbasket reductions of 0.10 plus 1.3 (est'd) for productivity.	October 1 - September 30
Home Health Agency (Hospital-Based)	(\$5,935,000)	Not Applicable	(\$1,952,000)	(\$3,983,000)	RY 2011 and 2012 home health marketbasket reductions of 1.0 per year.	January 1 - December 31
Free-Standing Home Health Agency	(\$44,089,000)	Not Applicable	(\$14,493,000)	(\$29,596,000)		
Skilled Nursing Facility (Hospital-Based)	(\$3,180,000)	Not Applicable	Not Applicable	(\$3,180,000)	RY 2012 marketbasket reduction of 1.3 (est'd) for productivity.	October 1 - September 30
Free-Standing Skilled Nursing Facility	(\$20,918,000)	Not Applicable	Not Applicable	(\$20,918,000)		

Medicare Payment Improvements

Home Health Rural Add-on						
Hospital-Based Facilities	\$1,955,000	\$519,000	\$708,000	\$728,000	3.0% add-on to payment rates for services provided to beneficiaries in rural areas, effective beginning 4/1/2010.	January 1 - December 31
Free-Standing Facilities	\$14,519,000	\$3,852,000	\$5,260,000	\$5,407,000		
Frontier State Protections	\$0	Not Applicable	\$0	\$0	RY 2011 and thereafter, wage index floor of 1.000 for inpatient and outpatient payments to providers in Frontier States.	Inpatient: Oct 1 - Sep 31 Outpatient: Jan 1 - Dec 31
One-Year Extension of Section 508 Reclassifications						
Inpatient	\$10,037,000	\$10,037,000	Not Applicable	Not Applicable	Reclassifications extended for RY 2010, through 9/30/2011.	October 1 - September 30
Outpatient	\$1,763,000	\$1,763,000	Not Applicable	Not Applicable	Reclassifications extended through 9/30/2011.	January 1 - December 31
One-Year Extension of OPPI Corridor	\$2,618,000	\$2,618,000	Not Applicable	Not Applicable	Outpatient hold harmless payments extended for RY 2010, through 12/31/2010. Hold Harmless is also expanded to apply to all SCHs.	January 1 - December 31

Net Impact

Total Estimated Impact	(\$397,047,000)	(\$273,000)	(\$78,892,000)	(\$317,882,000)
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Medicare payment provisions not modeled:

Inpatient: Payment adjustment for low volume hospitals
Home Health: Cap on outlier payments

Additional major Medicare payment provisions for 2013 - 2019:

Inpatient: Value-Based Purchasing, effective RY 2013
Readmissions payment policy, effective RY 2013
DSH payment reductions, effective RY 2014
Hospital Acquired Conditions payment reductions, effective RY 2015
Home Health: Rural add-on expires at the end of RY 2015
Payment rate rebasing, effective RY 2014