

# Medicare Issues



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# Characterize the rural issues as:

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- Payment for providers



- Access to services for beneficiaries



In both instances important to consider how issue is framed and terms of any debate

# Medicare Payment to Rural Providers

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- Underlying basis for payment?
  1. Pay the marginal cost of caring for Medicare beneficiary
  2. Pay the total costs of caring for Medicare beneficiary
  3. Pay the total costs plus a rate of return
  4. Pay the total costs plus a rate of return plus share in other expenses
  
- Separate question of paying all providers the same, regardless of where they practice

# How is cost determined – data?

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1. Medicare data base (cost reports for hospitals, historical charges for providers)
2. Provider data base
3. Market competition



# How is cost determined – use of the data?

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1. Setting a payment per service – fee schedule
  2. Setting a payment per service – prospective payment
  3. Paying submitted bills – cost-based reimbursement
  4. Paying for low bid – health plans
- ▣ Where you stand depends on where you sit

# Some of the rural issues in the current policy debates

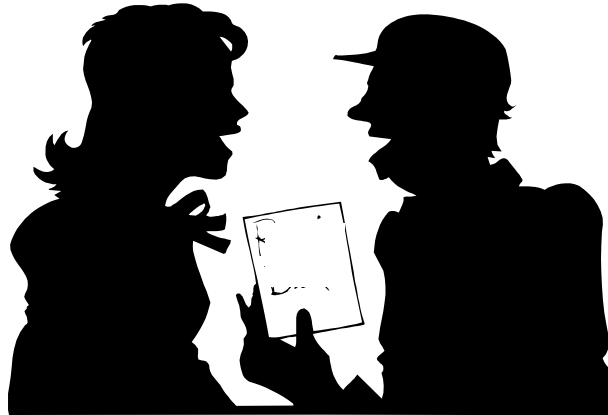
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1. Starting payment systems from the same base  
– standardized payment for hospitals
2. Using correct data – wage index – and using it appropriately
3. Using correct data – physician payment adjustments – and using it appropriately
4. Adjustments in prospective payment systems for low volume providers

# Fixes versus junking the system

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- ❑ The analysts are pleased with fixes
- ❑ The providers want positive balance sheets



# Payment and the Beneficiary: Equity

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## □ What is “equity?”

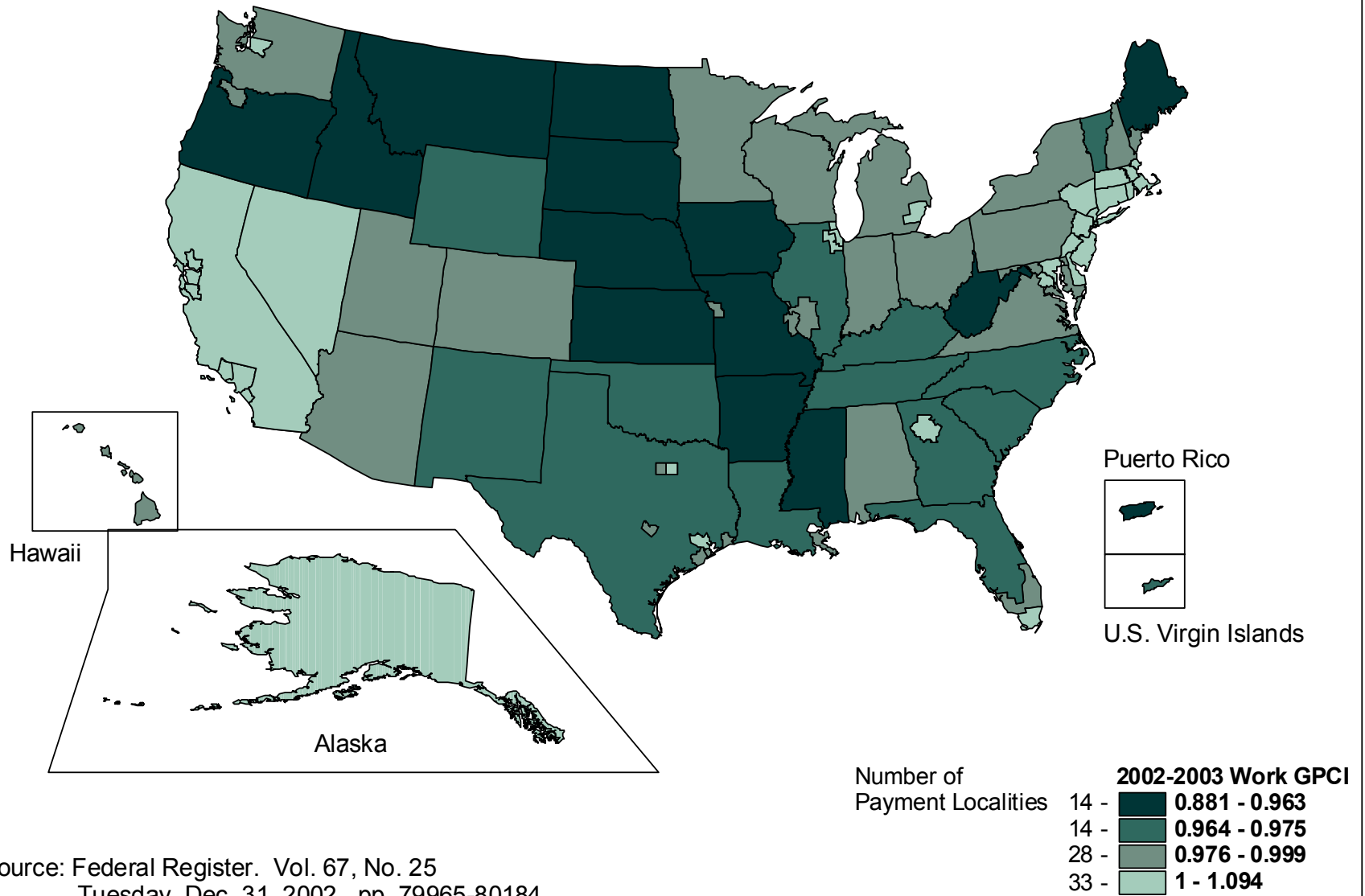
- Equality?
- Fairness?
- By what standard?



## □ Dollars-in/dollars-out definition

## □ Comparability of access definition

# 2002-2003 Medicare Payment Localities Work Geographic Practice Cost Indexes (GPCIs)



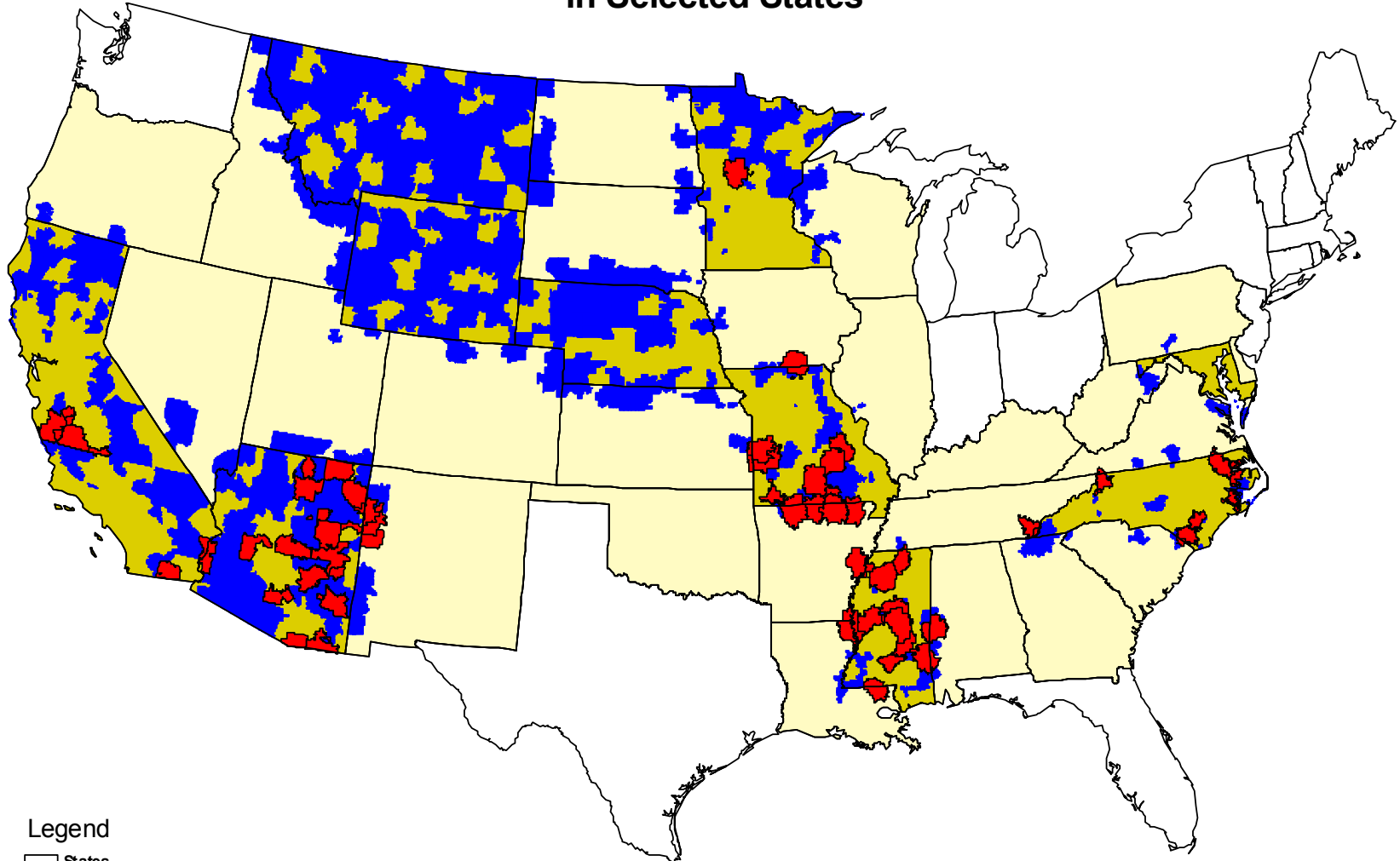
Source: Federal Register. Vol. 67, No. 25  
Tuesday, Dec. 31, 2002. pp. 79965-80184.

# Policy Suggestions

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- make the technical fixes
- determine and state intent as a policy not left to interpretation
  - hold firm on definition of fair payment
- move to partnership instead of adversary relationships with providers
  - including role for federal payment when the market is weak

## Vulnerable Places in Non-Metropolitan Areas in Selected States \*



### Legend

- States
- Places Vulnerable by Principal Component Analysis
- Places Vulnerable by Population
- Study States
- Border States



# Issues of Beneficiary Access

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- Financial
- Geographic
- Equitable



# Financial

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- The near poor, the worst off
- M+C an avenue in urban, not rural
- Inadequate availability of affordable supplemental plans
- Are we breaking the promise of Medicare?

# Geographic

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- The basics of medical care services and their precarious state in rural
  - Primary care
  - Emergency medical services
  - Treatment of chronic conditions
  
- What is the problem?
  - Population base and market attractiveness
  - Inattention in public and private policy debates driven by cost efficiencies
  - Professional isolation

# Equitable

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- ❑ Fairness: Access to the same services, benefits
- ❑ Dollar-in/dollar-out argument
- ❑ This is a policy of insurance – inherently distributive
- ❑ Distribution based on need, which includes need for payment assistance

# Policy Actions

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- Incremental fixes
  - Medical training programs
  - Payment incentives
  - Recognize the need to subsidize
  - Recognize the need for flexibility in rules
  - Support use of technology, even if more expensive

# Policy Actions

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- ❑ Move the general debate forward
- ❑ Explicit agreement on policy goals
- ❑ Recognize the need for short term increases in funding support
- ❑ Institute policies that generate long term savings
  - preventive services
  - disease management
- ❑ Convert administrative resources to effective collective bargaining and program management
- ❑ Full cost analysis of any changes in administrative rules

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# RUPRI Center for Rural Health Policy Analysis



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