

CMS Office of the Actuary

Payment Notice 2020

Key Components of United States Per Capita Cost (USPCC) Trends for 2016-2020

Fee-for-Service (FFS) USPCC Trends—Part A

Highlights of Trends for 2016-2020

- The projected increase in per capita Part A expenditures during 2016-2020 is 9.9 percent.
- Averaged across all Part A services, changes in demographics during the period are estimated to reduce the cost trend by 1.5 percent. Utilization and case mix trends implicitly include effects of the demographic shift.
- Inpatient
 - The trend in per capita expenditures for the period is 11.8 percent.
 - Per capita utilization decreased by 4.2 percent.
 - Case mix increased 6.4 percent during the period.
- Skilled Nursing Facility
 - Per capita expenditures are projected to increase 2.0 percent during 2016-2020.
 - The projected utilization trend is -9.5 percent during the period, with a decrease of 9.7 percent for 2016-2018 and an increase of 0.2 percent for 2019-2020.
 - The case mix index increased 2.0 percent, with a relatively stable trend throughout the period.
- Home Health
 - The 5-year USPCC trend is 8.6 percent.
 - During this period, Part A and Part B utilization is projected to decrease by 0.2 percent, and the case mix trend is 6.3 percent.
- Cost Plans
 - Beginning with this analysis, FFS claims paid on behalf of cost plan enrollees are directly excluded from the service-level trends, and no separate cost plan impact is required.

Payment Notice 2020 versus Payment Notice 2019 and Advance Notice 2020 (Part A)

The projection supporting Payment Notice (PN) 2019 is based on incurred experience through September 30, 2017 and cash activity through December 31, 2017. Advance Notice (AN) 2020 USPCCs are based on program experience through September 30, 2018 and cash activity through September 30, 2018. The projections supporting PN 2020 are based on incurred experience through September 30, 2018 and cash activity through September 30, 2018. Assumptions for utilization, case mix, and economics for each exercise reflect the most current expectation of program expenditures at the time of the exercise.

The additional program experience and assumption changes result in a calendar year (CY) 2018 USPCC increase from PN 2019 to PN 2020 of 1.0 percent. This increase is primarily attributed to higher inpatient case mix. The PN 2020 inpatient hospital market baskets are also higher for fiscal year 2019, contributing to the 1.4-percent increase in CY 2020 per capita costs for PN 2020 relative to PN 2019.

Fee-for-Service USPCC Trends—Part B

Highlights of Trends for 2016-2020

- The projected increase in per capita Part B expenditures during 2016-2020 is 24.0 percent.
- Averaged across all Part B services, changes in demographics for the 5 years are estimated to reduce the cost trend by 0.1 percent. Utilization and case mix trends implicitly include effects of the demographic shift.
- Physician Fee Schedule
 - Per capita expenditures are projected to increase 10.3 percent during 2016-2020, due largely to the volume and intensity trend of 5.9 percent.
- Outpatient Hospital
 - The trend for the 5 years is 46.9 percent, which is mainly attributed to the 35.6-percent trend in volume and intensity.
- Home Health
 - The 5-year trend is 9.4 percent.
 - During this period, Part A and Part B utilization is projected to decrease by 0.2 percent, and the case mix trend is 6.3 percent.
- Durable Medical Equipment
 - The trend during 2016-2020 is 11.6 percent: a decrease of 11.8 percent for 2016-2017 and an increase of 26.5 percent for 2018-2020.
 - The trend for 2016-2017 of -11.8 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. Growth for the period 2018-2020 reflects actual and anticipated changes in the bidding program.
- Other Carrier
 - This category includes carrier laboratory services, ambulatory surgical centers (ASCs), ambulance services, and medical supplies.
 - The 5-year trend for this category is 19.3 percent.
- Physician-Administered Drugs
 - The 5-year trend for this category is 60.0 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 with this analysis, FFS claims paid on behalf of cost plan enrollees are directly excluded from the service-level trends, and no separate cost plan impact is required.

Payment Notice 2020 versus Payment Notice 2019 and Advance Notice 2020 (Part B)

The projection supporting PN 2019 is based on incurred experience through September 30, 2017 and cash activity through December 31, 2017. AN 2020 USPCCs are based on program experience through September 30, 2018 and cash activity through September 30, 2018. The projections supporting PN 2020 are based on incurred experience through December 31, 2018 and cash activity through December 31, 2018. Assumptions for utilization, case mix, and economics for each exercise reflect the most current expectation of program expenditures at the time of the exercise.

Inclusion of actual program experience is the major reason for the 1.7-percent increase in CY 2018 per capita FFS spending from PN 2019 to PN 2020. The primary service categories driving the CY 2018 increase are physician-administered drugs, DME, and laboratory services. The CY 2018 increase carries forward to CY 2020, when the PN 2020 per capita cost is 1.6 percent higher than the PN 2019 estimate.

Total USPCC Trends

Total USPCC Trend—Part A, 2016-2020

- Total (FFS plus managed care): 11.4 percent
- FFS trend: 9.9 percent
- Managed care trend: 13.2 percent

Total USPCC Trend—Part B, 2016-2020

- Total (FFS plus managed care): 25.9 percent
- FFS trend: 24.0 percent
- Managed care trend: 27.5 percent

Total USPCC Trend—Parts A and B, 2016-2020

- Total (FFS plus managed care): 19.2 percent
- FFS trend: 17.5 percent
- Managed care trend: 20.9 percent

Payment Notice 2020 versus Payment Notice 2019, Parts A and B

- The total USPCC prior period adjustment for CY 2019 is 1.4 percent.
- The FFS USPCC prior period adjustment for CY 2019 is 1.4 percent.
- The prior period adjustment for the CY 2019 managed care projection is 1.3 percent. This impact is primarily attributed to a revision of the baseline to reflect CY 2019 approved Medicare Advantage (MA) bids.

Payment Notice 2020 versus Advance Notice 2020, Parts A and B

- The adjustment to the total USPCC for CY 2020 is 0.4 percent.
- The adjustment to the FFS USPCC for CY 2020 is 0.7 percent.
- The adjustment to the CY 2020 managed care trend is -0.2 percent.

- Notes about PN 2020 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 FFS 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 Programs of All-Inclusive Care for the Elderly (PACE).
 - The USPCC values and trends may not be directly applicable to the preparation of CY 2020 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 2020
FFS USPC

<u>Coverage</u>	<u>CY2015</u>	<u>CY2016</u>	<u>CY 2017</u>	<u>CY 2018</u>	<u>CY 2019</u>	<u>CY 2020</u>	<u>CY2020 growth rate</u>
<u>CY Payment Notice 2019</u>							
Part A	\$372.76	\$374.86	\$376.30	\$381.58	\$391.63	\$403.45	n/a
Part B	429.23	436.55	456.25	474.83	499.44	523.29	n/a
Total	\$801.99	\$811.41	\$832.55	\$856.41	\$891.07	\$926.74	n/a
<u>Advance Notice 2020</u>							
Part A	\$372.34	\$374.82	\$378.52	\$385.43	\$394.17	\$405.95	3.66%
Part B	428.66	435.56	450.84	477.10	502.64	525.43	5.20%
Total	\$801.00	\$810.38	\$829.36	\$862.53	\$896.81	\$931.38	4.52%
<u>Payment Notice 2020</u>							
Part A	\$372.34	\$374.82	\$378.52	\$385.24	\$395.52	\$409.27	4.50%
Part B	428.66	435.52	450.74	482.87	507.69	531.54	6.43%
Total	\$801.00	\$810.34	\$829.26	\$868.11	\$903.21	\$940.81	5.58%

Annual trend based on Payment Notice 2020

							<u>'20/'15</u>
Part A	n/a	0.67%	0.99%	1.78%	2.67%	3.48%	9.9%
Part B	n/a	1.60%	3.49%	7.13%	5.14%	4.70%	24.0%
Total	n/a	1.17%	2.33%	4.68%	4.04%	4.16%	17.5%

Prior period adjustment: Payment Notice 2020 vs. Payment Notice 2019

Part A	-0.11%	-0.01%	0.59%	0.96%	0.99%	n/a
Part B	-0.13%	-0.24%	-1.21%	1.69%	1.65%	n/a
Total	-0.12%	-0.13%	-0.40%	1.37%	1.36%	n/a

Prior period adjustment: Payment Notice 2020 vs. Advance Notice 2020

Part A	0.00%	0.00%	0.00%	-0.05%	0.34%	0.82%
Part B	0.00%	-0.01%	-0.02%	1.21%	1.00%	1.16%
Total	0.00%	0.00%	-0.01%	0.65%	0.71%	1.01%

Payment Notice 2020
Total USPC

<u>Coverage</u>	<u>CY2003</u>	<u>CY2015</u>	<u>CY2016</u>	<u>CY 2017</u>	<u>CY 2018</u>	<u>CY 2019</u>	<u>CY 2020</u>	<u>CY2020 growth rate</u>
Payment Notice 2019								
Part A	\$296.18	\$376.31	\$380.07	\$384.70	\$390.02	\$400.52	\$412.19	n/a
Part B	247.66	435.76	446.33	464.36	488.79	514.10	537.91	n/a
Total	\$543.84	\$812.07	\$826.40	\$849.06	\$878.81	\$914.62	\$950.10	n/a

Advance Notice 2020								
Part A	\$296.18	\$376.08	\$379.90	\$385.90	\$391.53	\$404.56	\$415.59	3.76%
Part B	247.66	435.61	445.65	460.45	489.44	519.62	543.31	5.68%
Total	\$543.84	\$811.69	\$825.55	\$846.35	\$880.97	\$924.18	\$958.90	4.84%

Payment Notice 2020								
Part A	\$296.18	\$376.08	\$379.90	\$385.90	\$391.41	\$405.04	\$419.00	4.61%
Part B	247.66	435.61	445.63	460.41	493.05	522.40	548.54	6.70%
Total	\$543.84	\$811.69	\$825.53	\$846.31	\$884.46	\$927.44	\$967.54	5.79%

Annual trend based on Payment Notice 2020

Part A	n/a	n/a	1.02%	1.58%	1.43%	3.48%	3.45%	'20/'15 11.4%
Part B	n/a	n/a	2.30%	3.32%	7.09%	5.95%	5.00%	25.9%
Total	n/a	n/a	1.71%	2.52%	4.51%	4.86%	4.32%	19.2%

Prior period adjustment: Payment Notice 2020 vs. Payment Notice 2019

Part A	0.00%	-0.06%	-0.04%	0.31%	0.36%	1.13%	n/a
Part B	0.00%	-0.03%	-0.16%	-0.85%	0.87%	1.61%	n/a
Total	0.00%	-0.05%	-0.11%	-0.32%	0.64%	1.40%	n/a

Prior period adjustment: Payment Notice 2020 vs. Advance Notice 2020

Part A	0.00%	0.00%	0.00%	0.00%	-0.03%	0.12%	0.82%
Part B	0.00%	0.00%	0.00%	-0.01%	0.74%	0.54%	0.96%
Total	0.00%	0.00%	0.00%	0.00%	0.40%	0.35%	0.90%