

Press Release

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Revised Geographic Adjustments Could Improve Accuracy of Medicare Payments, Will Not Solve Access, Quality Problems

Changing the way that Medicare payments are adjusted to account for regional variations in the cost of providing care as recommended by a previous report from the Institute of Medicine would result in payment increases for some hospitals and practitioners and decreases for others, concludes the Phase II report from the IOM study. Geographic adjustments should be used to ensure the accuracy of payments, said the committee that wrote the report, but they are not optimal tools to tackle larger national policy goals such as improving access to care in medically underserved areas.

Adjustments to Medicare payments based on geography are intended to account for regional variations in wages, rents, and other costs incurred by hospitals and individual health care practitioners. Federal law requires geographic adjustments to be budget neutral, meaning any increase in the amount paid to one hospital or practitioner must be offset by a decrease to others. In its previous report, the committee recommended changes to the data sources and methods used to calculate payment adjustments to achieve greater accuracy.