

MedPAC Recommends Payment Updates for 2023

In a January 2022 meeting of the Medicare Payment Advisory Commission (MedPAC), commissioners reviewed various recommendations related to the Medicare fee schedule for various health sectors, and unanimously agreed to update Medicare payments to hospitals and keep physician payment rates the same for 2023. This Health Capital Topics article will review the recommendations made by MedPAC for each of the health sectors and their respective payment systems.

As noted in another article in this Health Capital Topics issue,¹ MedPAC is an independent congressional agency that advises the U.S. Congress on issues affecting the Medicare program, such as “payments to private health plans participating in Medicare and providers in Medicare’s traditional fee-for-service program, [as well as] access to care, quality of care, and other issues affecting Medicare.”² Additionally, MedPAC is required by law to annually assess the adequacy of Medicare payments for various healthcare delivery sectors and make payment update recommendations.³ In making that assessment, the commission analyzes factors such as patient access to care, quality of care, hospital access to capital, Medicare payments, and hospital costs.⁴ During their January 13-14, 2022 meeting, MedPAC reviewed the payment adequacy of:

- (1) Hospital inpatient and outpatient services;
- (2) Physician and other health professional services;
- (3) Ambulatory surgical center (ASC) services;
- (4) Outpatient dialysis services
- (5) Hospice services;
- (6) Skilled nursing facility (SNF) services;
- (7) Home health agency services;
- (8) Inpatient rehabilitation facility services; and,
- (9) Long-term care hospital services.⁵

Regarding hospital inpatient and outpatient services, the commissioners approved the recommendation by MedPAC staff to update the base payment rates for acute care hospitals.⁶ While MedPAC staff acknowledged that the COVID-19 public health emergency (PHE) has had “material effects on payment adequacy indicators, making them more difficult to interpret,” they stated that “[t]emporary or highly variable coronavirus effects are best addressed through targeted, short-term funding policies rather than permanent changes to all providers’ payment rates in 2023 and future years.”⁷ Commissioners ultimately approved an update of 2% for both inpatient and outpatient payments for hospitals for fiscal year 2023, in accordance with current law,⁸ but expressed concerns that the recommended payment update “may not be adequately

reflected in the FY 2023 market basket update” due to the disruptions emanating from COVID-19.⁹

However, when it came to payment rates to physicians, MedPAC commissioners were not as generous. Commissioners voted, despite “concerns about the long-term viability of the current physician fee schedule model” to recommend keeping the physician fee schedule payment stagnant for 2023.¹⁰ This recommendation is consistent with the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA), which dictates a 0% update for physician pay (although physicians can receive enhanced reimbursement through participation in quality payment programs).¹¹ Despite this vote, commissioners expressed concern that the physician payment update is not “keeping up with inflation during a particularly volatile time for healthcare providers,” which may “lead to underpaying providers in the current high-inflation environment.”¹² Many of the commissioners’ comments regarding the physician fee schedule centered on the prospective need for more wholesale changes to the physician payment system. For example, nearly half of physician fee schedule payments are comprised of the practice expense (the overhead involved in providing a given service), but that practice expense is not tied to a market basket update (similar to the payment system for hospitals) that accounts for inflation. This could lead to the two payment systems experiencing payment update differentials in coming years.¹³

Provider organizations quickly spoke out in opposition to MedPAC’s recommendation, asserting that keeping physician payments unchanged (not even keeping payments on par with inflation) ignores the reality that “[p]hysician practices are dealing with massive staffing shortages and skyrocketing expenses.”¹⁴

For SNFs, home health agencies, and inpatient rehabilitation facilities, MedPAC agreed to recommend a base payment decrease of 5% to those organizations.¹⁵ Further, MedPAC recommended that home health agencies be required to report telehealth services provided during a 30-day care period. For long-term care hospitals and dialysis facilities, however, MedPAC voted to suggest an increase in reimbursement.¹⁶ MedPAC did not recommend a payment increase or decrease for ASCs or hospices, but it did recommend an elimination of the 2022 ASC conversion factor.¹⁷

The recommendations made by MedPAC during its January 2022 meeting will be included in its annual March report to Congress on Medicare payment policy.¹⁸

1 See the article entitled, “MedPAC’s Next Iteration of Alternative Payment Models.”

2 “What We Do” Medicare Payment Advisory Commission, <https://www.medpac.gov/what-we-do/> (Accessed 1/18/22).

3 “January 13-14, 2022: Public Meeting” Medicare Payment Advisory Commission, <https://www.medpac.gov/meeting/january-13-14-2022/> (Accessed 1/10/22).

4 “MedPAC: Increase hospital pay, no change for physicians in 2023” By Maya Goldman, Modern Healthcare, January 13, 2022, <https://www.modernhealthcare.com/medicare/medpac-increase-hospital-pay-no-change-physicians-2023> (Accessed 1/20/22); “MedPAC votes on 2023 payment recommendations” American Hospital Association, <https://www.aha.org/news/headline/2022-01-13-medpac-votes-2023-payment-recommendations> (Accessed 11/20/22).

5 Medicare Payment Advisory Commission, <https://www.medpac.gov/meeting/january-13-14-2022/> (Accessed 1/10/22).

6 “Assessing payment adequacy and updating payments: Hospital inpatient and outpatient services; and Mandated report on Bipartisan Budget Act of 2018 changes to the low-volume hospital payment adjustment” By Alison Binkowski, et al., Medicare Payment Advisory Commission, January 13, 2022, available at: <https://www.medpac.gov/wp-content/uploads/2021/10/Hospital-update-MedPAC-Jan22.pdf> (Accessed 1/20/22), p. 2.

7 *Ibid.*, p. 3.

8 Notably, “[i]npatient rates will also be subject to an additional statutory 0.5 percent,” which bumps the inpatient hospital rates

increase to 2.5%. “MedPAC: Increase hospital pay, no change for physicians in 2023” By Maya Goldman, Modern Healthcare, January 13, 2022, <https://www.modernhealthcare.com/medicare/medpac-increase-hospital-pay-no-change-physicians-2023> (Accessed 1/20/22); American Hospital Association, <https://www.aha.org/news/headline/2022-01-13-medpac-votes-2023-payment-recommendations> (Accessed 11/20/22); “Medicare Payment Advisory Commission Public Meeting” Transcript, January 13, 2022, Medicare Payment Advisory Commission, available at: https://www.medpac.gov/wp-content/uploads/2021/10/Jan22_MedPAC_Meeting_Transcript_SEC.pdf (Accessed 1/21/22), p. 10.

9 “MedPAC Votes on Updates to Hospital Base Payment Rates and Physician Payments” Association of American Medical Colleges, January 14, 2022, <https://www.aamc.org/advocacy-policy/washington-highlights/medpac-votes-updates-hospital-base-payment-rates-and-physician-payments> (Accessed 1/20/22).

10 Goldman, Modern Healthcare, January 13, 2022.

11 *Ibid.*

12 *Ibid.*

13 *Ibid.*

14 *Ibid.*

15 *Ibid.*

16 *Ibid.*

17 *Ibid.*

18 Association of American Medical Colleges, January 14, 2022.



FREE eBook DOWNLOAD

HEALTH CAPITAL
Topics 
 2021

DOWNLOAD HERE



(800)FYI - VALU

*Providing Solutions
in the Era of
Healthcare Reform*

Founded in 1993, HCC is a nationally recognized healthcare economic financial consulting firm

- [HCC Home](#)
- [Firm Profile](#)
- [HCC Services](#)
- [HCC Experts](#)
- [Clients & Projects](#)
- [HCC News](#)
- [Upcoming Events](#)
- [Contact Us](#)
- [Email Us](#)

HCC Services

- [Valuation Consulting](#)
- [Commercial Reasonableness Opinions](#)
- [Commercial Payor Reimbursement Benchmarking](#)
- [Litigation Support & Expert Witness](#)
- [Financial Feasibility Analysis & Modeling](#)
- [Intermediary Services](#)
- [Certificate of Need](#)
- [ACO Value Metrics & Capital Formation](#)
- [Strategic Consulting](#)
- [Industry Research Services](#)



[Todd A. Zigrang](#), MBA, MHA, CVA, ASA, FACHE, is the President of HEALTH CAPITAL CONSULTANTS (HCC), where he focuses on the areas of valuation and financial analysis for hospitals, physician practices, and other healthcare enterprises. Mr. Zigrang has over 25 years of experience providing valuation, financial, transaction and strategic advisory services nationwide in over 2,000 transactions and joint ventures. Mr. Zigrang is also considered an expert in the field of healthcare compensation for physicians, executives and other professionals.

Mr. Zigrang is the co-author of "[The Adviser's Guide to Healthcare – 2nd Edition](#)" [2015 – AICPA], numerous chapters in legal treatises and anthologies, and peer-reviewed and industry articles such as: *The Accountant's Business Manual* (AICPA); *Valuing Professional Practices and Licenses* (Aspen Publishers); *Valuation Strategies; Business Appraisal Practice*; and, *NACVA QuickRead*. In addition to his contributions as an author, Mr. Zigrang has served as faculty before professional and trade associations such as the American Society of Appraisers (ASA); American Health Lawyers Associate (AHLA); the American Bar Association (ABA); the National Association of Certified Valuators and Analysts (NACVA); Physician Hospitals of America (PHA); the Institute of Business Appraisers (IBA); the Healthcare Financial Management Association (HFMA); and, the CPA Leadership Institute.

Mr. Zigrang holds a Master of Science in Health Administration (MHA) and a Master of Business Administration (MBA) from the University of Missouri at Columbia. He is a Fellow of the American College of Healthcare Executives (FACHE) and holds the Accredited Senior Appraiser (ASA) designation from the American Society of Appraisers, where he has served as President of the St. Louis Chapter, and is current Chair of the ASA Healthcare Special Interest Group (HSIG).



[Jessica L. Bailey-Wheaton](#), Esq., is Senior Vice President and General Counsel of HCC. Her work focuses on the areas of Certificate of Need (CON) preparation and consulting, as well as project management and consulting services related to the impact of both federal and state regulations on healthcare transactions. In that role, Ms. Bailey-Wheaton provides research services necessary to support certified opinions of value related to the Fair Market Value and Commercial Reasonableness of transactions related to healthcare enterprises, assets, and services.

Additionally, Ms. Bailey-Wheaton heads HCC's CON and regulatory consulting service line. In this role, she prepares CON applications, including providing services such as: health planning; researching, developing, documenting, and reporting the market utilization demand and "need" for the proposed services in the subject market service area(s); researching and assisting legal counsel in meeting regulatory requirements relating to licensing and CON application development; and, providing any requested support services required in litigation challenging rules or decisions promulgated by a state agency. Ms. Bailey-Wheaton has also been engaged by both state government agencies and CON applicants to conduct an independent review of one or more CON applications and provide opinions on a variety of areas related to healthcare planning. She has been certified as an expert in healthcare planning in the State of Alabama.

Ms. Bailey-Wheaton is the co-author of numerous peer-reviewed and industry articles in publications such as: *The Health Lawyer*; *Physician Leadership Journal*; *The Journal of Vascular Surgery*; *St. Louis Metropolitan Medicine*; *Chicago Medicine*; *The Value Examiner*; and *QuickRead*. She has previously presented before the ABA, the NACVA, and the NSCHBC. She serves on the editorial boards of NACVA's *QuickRead* and AHLA's *Journal of Health & Life Sciences Law*.



[Janvi R. Shah](#), MBA, MSF, serves as Senior Financial Analyst of HCC. Mrs. Shah holds a M.S. in Finance from Washington University Saint Louis. She develops fair market value and commercial reasonableness opinions related to healthcare enterprises, assets, and services. In addition she prepares, reviews and analyzes forecasted and pro forma financial statements to determine the most probable future net economic benefit related to healthcare enterprises, assets, and services and applies utilization demand and reimbursement trends to project professional medical revenue streams and ancillary services and technical component (ASTC) revenue streams.