American College of Emergency Physicians®
ADVANCING EMERGENCY CARE

Fact Sheet: Medicare Inflation Adjustment

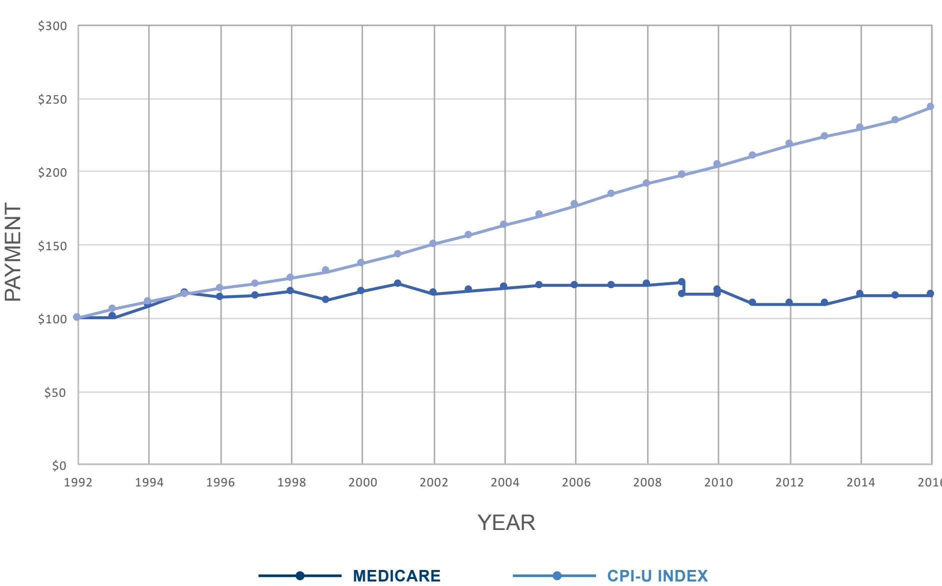
Utilizing Medicare rates as a standard for determining fair payment for out of network providers is a fundamentally flawed approach because Medicare rates were never designed to represent the fair market value of healthcare services or to even cover provider costs. Additionally, Medicare rates fluctuate based on variables unrelated to the services provided, such as the federal budget.

A Medicare-based reimbursement scheme would destabilize the ED safety net and financially burden our most vulnerable hospitals, including our community and rural hospitals. Excellent emergency department care should be available in all communities, and many hospitals cannot afford to subsidize their emergency departments any further. Imposing Medicare rates as would cause many hospital emergency departments to close, or cut back on the quality of care they can offer their communities. Those most vulnerable are those serving the communities with the greatest need. There is potential that patients will find themselves hours from the nearest hospital or emergency department.

A non-profit 2016 Rand study concluded that many New Jersey hospitals would be at serious financial risk if reimbursement rates were set at 250% of Medicare, and that fully a third would be pushed into operating losses if rates were set at 90% of Medicare.

Highlighting the fundamental flaw of using Medicare as a standard, standard rates have not even kept pace with general inflation costs (see below table). Comparing Medicare payments to inflation (CPI-U), between the start of the RBRVS system in 1992 and 2016 Medicare payments have decreased by 53%. Had Medicare been used as an index for private payers in 1992 the healthcare system would have broken long ago.

$100 1992 PAYMENT: MEDICARE VS. THE CPI-U INDEX



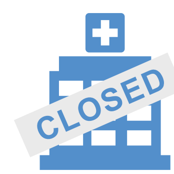
KEY FACTS

53%

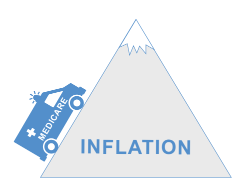
Comparing Medicare payments to inflation, between the start of the RBRVS system in 1992 and 2016, Medicare payments have decreased by 53%.

1/3

1/3 of New Jersey hospitals would have been pushed into operating losses if rates were set at 90% of Medicare.



Imposing Medicare rates as a standard would cause many hospital emergency departments to close, or cut back on the quality of care they can offer their communities.



Medicare has not even kept pace with general inflation costs.

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Medicare Payment Versus Inflation

Year	Medicare Payment	Bureau of Labor Statistics CPI-U
1992	$100.00	$100.00
1993	$100.80	$105.90
1994	$108.76	$110.98
1995	$117.36	$115.98
1996	$114.24	$120.04
1997	$115.37	$123.40
1998	$118.34	$127.35
1999	$112.03	$131.80
2000	$118.10	$137.21
2001	$123.41	$143.52
2002	$116.77	$150.26
2003	$118.66	$156.27
2004	$120.44	$163.15
2005	$122.25	$170.00
2006	$122.25	$176.80
2007	$122.25	$184.58
2008	$122.86	$191.41
2009	$124.21	$197.54
2009	$116.34	$197.54
2010	$116.38	$204.25
2010	$118.94	$204.25
2011	$109.60	$210.38
2012	$109.80	$218.17
2013	$109.81	$223.62
2014	$115.55	$228.99
2015	$115.33	$234.94
2016	$115.49	$243.87