

PUBLICATION

CMS Releases Proposed 2018 Medicare Payment Regulations for Physician Providers, Hospitals and Home Health Agencies

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On July 13, the Centers for Medicare and Medicaid Services (CMS) released the proposed 2018 Physician Fee Schedule that would update payment policies, payment rates and quality provisions for physicians and other medical professionals under the Medicare program. The proposed payment update would be 0.31 percent for 2018. Among many proposed changes, the rule would also expand under Medicare certain telemedicine services, but would not include payments for virtual diabetes prevention. Specifically, starting next year, instead of covering both in-person and virtual diabetes prevention sessions, CMS would only cover in-person programs, though it would allow some virtual "make-up" sessions. The rule would also prohibit payment for diabetes prevention in which patients report their weight gain or loss via wireless communication because CMS believes that "self-reported weight loss is not reliable for the purposes of performance payment." The CMS factsheet on the proposed payment rule is [available here](#). Comments are due September 11, 2017.

In addition, on July 13, CMS released the proposed 2018 Hospital Outpatient Prospective Payment System and Ambulatory Surgical Center Payment System that would provide for the 2018 rates and quality provisions. The proposed payment update would be 1.75 percent for 2018. In a major development, CMS proposes to pay hospitals less for certain physician-administered drugs purchased through the 340B pricing program. Specifically, CMS is proposing to reimburse hospitals for Part B drugs at a rate of average sales price minus 22.5 percent, compared to the current reimbursement rate of average sales price plus six percent. CMS stated that because patients' out-of-pocket costs are tied to what Medicare is billed for the drug, if Medicare payments decline, patients' co-pays should be substantially less. CMS estimates seniors will save a minimum of \$180 million on drug costs annually under this proposed change. The CMS factsheet on the proposed rule is [available here](#). Comments are due September 11, 2017.

Finally, on July 25, CMS released the proposed 2018 Home Health Prospective Payment System that would update payment rates for home health agencies. The proposed payment update would reduce overall Medicare payments to home agencies by 0.4 percent for 2018, saving an estimated \$80 million. That change is driven in part by CMS' planned phase out of a provision boosting pay rates for certain home health services delivered to rural patients. The agency is also proposing a series of changes to the payment methodology beginning in 2019, which could result in a pay cut of up to 4.3 percent. That would translate to as much as \$950 million in reduced Medicare payments to home health agencies. The CMS factsheet on the home health proposed payment rule is [available here](#). Comments are due September 25, 2017.

Takeaway: The proposed Medicare payment regulations reflect a broader strategy that CMS is pursuing to "relieve regulatory burdens for providers; support the patient-doctor relationship in health care; and promote transparency, flexibility, and innovation in the delivery of care." Stakeholders are expected to weigh in on the proposed rule, and it is uncertain which proposals will make it into the final payment regulations, expected to be released in November 2017.