

Michigan

Impact of the Medicare Cuts Proposed in the President's Federal Fiscal Year (FFY 2007) Budget

	One-Year Impact 2007	Five-Year Impact 2007-2011
Update Factor Reductions:		
Hospital Inpatient	(\$18,102,000)	(\$217,462,000)
Hospital Outpatient	(5,558,000)	(67,070,000)
Inpatient Rehabilitation Facility (IRF)	(9,638,000)	(59,288,000)
Hospital-Based Skilled Nursing Facility (SNF)	(655,000)	(4,040,000)
Hospital-Based Home Health Agency (HHA)	(4,244,000)	(26,367,000)
Bad Debt Reduction:		
Hospital Inpatient and Outpatient	(17,265,000)	(261,625,000)
Hospital-based SNF	(6,000)	(93,000)
Total Impact of President's 2007 Budget on Michigan	(\$55,468,000)	(\$635,945,000)
Impact of Expansion of Postacute Transfer Methodology	(37,399,000)	(197,956,000)
Total Impact on Michigan	(\$92,867,000)	(\$833,901,000)
Total Impact of President's 2007 Budget on the U.S.		
	(\$1,261,000,000)	(\$14,119,000,000)
Impact of Expansion of Postacute Transfer Methodology	(\$823,755,000)	(\$4,360,191,000)
Total U.S. Impact	(\$2,085,000,000)	(\$18,479,000,000)

NOTES:

Update Factor Reductions:

Hospital Inpatient - Marketbasket (MB) minus 0.45% in FFY 2007. MB minus 0.4% in FFYs 2008 and 2009. Full MB in FFY 2010 and thereafter.

Hospital Outpatient - MB minus 0.45% in FFY 2007. MB minus 0.4% in FFYs 2008 and 2009. Full MB in FFY 2010 and thereafter.

IRF - No update in FFY 2007. MB minus 0.4% in FFYs 2008 and 2009. Full MB in FFY 2010 and thereafter.

Hospital-Based SNF - No update in FFY 2007. MB minus 0.4% in FFYs 2008 and 2009. Full MB in FFY 2010 and thereafter.

Hospital-Based HHA - No update in FFY 2007. MB minus 0.4% in FFYs 2008 and 2009. Full MB in FFY 2010 and thereafter.

Bad Debt Reductions:

Hospital Inpatient and Outpatient - Bad debt reimbursement phase-out (bad debt payments reduced by 20% over five years) includes both PPS and CAHs.

Hospital-based SNF - Bad debt reimbursement phase-out over five years (after 30% reduction in Bad Debt reimbursement per the Deficit Reduction Act).

Data Sources:

Projected update factors were obtained from the Centers for Medicare and Medicaid Services (CMS) web site as calculated by Global Insight, Inc, 3rd Quarter, 2005. Medicare revenue data were obtained from facilities' Medicare hospital cost reports for the most recent year available in most cases 2003 or 2004, but earlier cost reports were used when necessary) and CMS Impact Files.

Postacute transfer policy analysis was performed using 2003 MedPAR claims data with 2006 DRG groups and weights.

Time Periods:

All impacts were estimated based on a 12-month rate year period. Inpatient, IRF, and SNF services are paid on an October - September rate year; Outpatient and HHA services are paid on a January - December rate year.