

MARKET BASKET ADJUSTMENT GRAPH

Inpatient Prospective Payment System (IPPS) Policy	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Market Basket (MB) Cuts for Productivity Adjustment (P) ¹ and Medicare Savings	MB – 0.25	MB – 0.25	MB – (P + 0.1)	MB – (P + 0.1)	MB – (P + 0.3)	MB – (P + 0.2)	MB – (P + 0.2)	MB – (P + 0.75)	MB – (P + 0.75)	MB – (P + 0.75)
Reporting Hospital Quality Data for the Annual Payment Update ² (Pay for reporting)	MB – 2.0 If Failure to Report	MB – 2.0 If Failure to Report	MB – 2.0 If Failure to Report	MB – 2.0 If Failure to Report	MB – 2.0 If Failure to Report	MB – ¼ of MB If Failure to Report	MB – ¼ of MB If Failure to Report	MB – ¼ of MB If Failure to Report	MB – ¼ of MB If Failure to Report	MB – ¼ of MB If Failure to Report
Hospital Value-Based Purchasing ³				MB – 1.0 Potential for Earn Back	MB – 1.25 Potential for Earn Back	MB – 1.5 Potential for Earn Back	MB – 1.75 Potential for Earn Back	MB – 2.0 Potential for Earn Back	MB – 2.0 Potential for Earn Back	MB – 2.0 Potential for Earn Back
Readmissions ⁴				MB – Hosp-specific amount capped at 1.0	MB – Hosp-specific amount capped at 2.0	MB – Hosp-specific amount capped at 3.0	MB – Hosp-specific amount capped at 3.0	MB – Hosp-specific amount capped at 3.0	MB – Hosp-specific amount capped at 3.0	MB – Hosp-specific amount capped at 3.0
Hospital Acquired Conditions						MB – 1.0 For Bottom Quartile Hospitals	MB – 1.0 For Bottom Quartile Hospitals	MB – 1.0 For Bottom Quartile Hospitals	MB – 1.0 For Bottom Quartile Hospitals	MB – 1.0 For Bottom Quartile Hospitals
Health Information Technology Meaningful Use ⁵ (MU)						MB – ¼ of MB If Failure to Meet MU	MB – ½ of MB If Failure to Meet MU	MB – ¾ of MB If Failure to Meet MU	MB – ¾ of MB If Failure to Meet MU	MB – ¾ of MB If Failure to Meet MU

¹ The productivity adjustment (P) is the 10-year moving average of changes in annual economy-wide private non-farm business multi-factor productivity, as projected by the Secretary. The productivity adjustment is permanent, extending beyond the 10-year budget window of the law.

² Hospital quality reporting requirements tied to the update were enacted by the Medicare Modernization Act of 2003. The American Recovery and Reinvestment Act (ARRA) of 2009 modified the reduction when penalties for not meeting “meaningful use” of electronic health record adoption were enacted.

³ VBP is funded by a reduction in the update, growing from 1 percentage point in 2013 to 2 percentage points in 2017 and beyond. The potential for “earn back” derives from these reductions and will be based on individual hospital performance. The VBP is budget neutral.

⁴ If a hospital's readmission rate is higher than expected, the hospital's update is reduced by a hospital-specific amount, not to exceed 1 percentage point in 2013 and not to exceed 3 percentage points in 2016 and beyond.

⁵ The ARRA requires hospitals to become “meaningful users” of electronic health records in order to avoid update reductions.

