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OFFICE OF LEGISLATION

Date: ~~June 30~~, 2000 July 6th

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MESSAGE :

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Talking Points on Copays Under the Hospital Outpatient Prospective Payment System (OPPS)

- Under the current outpatient payment system, there is a wide disparity in the dollar amount of coinsurance beneficiaries pay for similar services received at different hospitals and this coinsurance payment is generally a larger percent of total payments than beneficiaries pay for other Part B services. One of the goals of the new OPPS system to be implemented August 1 is to reduce over time the effective coinsurance rate the beneficiary pays in outpatient departments to the 20 percent applicable for other Part B services.

- This will be done by freezing beneficiary copayments while Medicare's payments to hospitals increase over time. The methodology for calculating copayments is specified in statute. The BBA requires that copayments under OPPS be "20 percent of the national median of the charges for the service (or services within the group) furnished during 1996, updated to 1999 using the Secretary's estimate of charge growth during the period."[1]

- Nationally, HCFA estimates that beneficiary copayments in 2000 will be 16 percent less under OPPS than they are under the current payment system. This estimate uses 1996 data projected to 2000 to predict the aggregate amount of copayments under both systems. The AHA conducted a similar analysis and arrived at an estimated reduction of 16.9 percent. The difference in the estimates are the result of different assumptions or decisions with regard to elements of the data set.

- Hospitals are fully compensated for providing services to beneficiaries. Since total OPPS payment amounts are fully updated each year, hospitals are not financially disadvantaged as a result of the declining effective coinsurance rate. In addition, until 2003, hospitals will receive an additional transitional payment to offset a percentage of any decline in payment hospitals may experience under the OPPS.

- In the short term, some beneficiaries may pay more than they would have under the old payment system. This is because coinsurance payments are based on <u>median</u> charges, meaning that half of the charges billed were below the median amount. Those beneficiaries receiving services in hospitals where charges were below the median may initially face a higher copayment than would have been charged under the old system.

- Over time, however, this will not be the case, as the Office of the Actuary estimates hospital charges nationally are increasing by 5 percent a year. As the charges increase, the amount the beneficiary would have paid under the old system also increases and becomes closer to the coinsurance payment under the new OPPS. By 2008 **[CHECK**

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[1]The BBRA gave the Secretary discretion to use median or mean charges in OPPS calculations. Calculations are based on the median in part to avoid further delays in implementing the system to collect the mean data

FIGURE], total copayments in all states will be no more than coinsurance amounts under the old system, and, in most states, will be less.

- In most cases, increases in beneficiary copayments coincide with an increase in total Medicare payments to hospitals. Hospitals could choose to use this increased revenue to offset the higher costs to beneficiaries in those cases where PPS copayments are greater than previous coinsurance amounts. Under the new OPPS, hospitals are given this discretion and may choose the services for which they would accept reduced copayments as well as by how much the payments should be reduced. They can reduce copayment levels down to a 20 percent effective coinsurance rate.

HEALTH CARE FINANCING ADMINISTRATION
ESTIMATED CHANGE IN BENEFICIARY COPAYMENTS
UNDER PPS COMPARED TO CURRENT LAW IN CY 2000
BY STATE AND URBAN/RURAL AREA
DOES NOT INCLUDE COPAY CEILING
REFLECTS SERVICE MIX PROVIDED IN 1996

STATE	URBAN/RURAL AREA (1)	CHG IN BENE COPAY (%) (2)	COPAY CHG W/O EFFECT OF CHG IN TOT PAY (%) (3)	CURR COPAY SHARE OF CURR PAY (4)	PPS COPAY SHARE OF PPS PAY (5)	ANNUAL PPS IMPACT (%) (6)	ANNUAL BBRA IMPACT (%) (7)	ANNUAL CORRIDOR IMPACT (%) (8)	PPS IMPACT ATTRIB TO BENE COPAY (%) (9)	PPS IMPACT ATTRIB TO PROG PAY (%) (10)
ALL STATES		-16.0	-15.2	0.559	0.474	0.2	4.6	4.4	0.09	0.11
ALABAMA	RURAL	-30.8	-24.7	0.639	0.481	-7.2	1.3	8.5	-3.46	-3.74
ALABAMA	URBAN	-32.9	-35.7	0.748	0.481	5.3	7.5	2.2	2.55	2.75
ALASKA	RURAL	-0.8	10.8	0.414	0.459	-9.5	1.4	10.9	-4.36	-5.14
ALASKA	URBAN	8.8	1.3	0.492	0.498	8.5	8.5	0.0	4.23	4.27
ARIZONA	RURAL	-16.2	-7.9	0.540	0.497	-8.2	2.8	11.0	-4.08	-4.12
ARIZONA	URBAN	-27.4	-29.8	0.698	0.490	4.4	6.4	2.0	2.16	2.24
ARKANSAS	RURAL	-19.8	-19.7	0.606	0.486	1.0	6.7	5.7	0.49	0.51
ARKANSAS	URBAN	-12.4	-12.8	0.571	0.498	1.4	3.4	2.0	0.70	0.70
CALIFORNIA	RURAL	-23.1	-20.5	0.596	0.474	-2.2	3.5	5.7	-1.04	-1.16
CALIFORNIA	URBAN	-28.7	-32.5	0.682	0.460	6.6	9.3	2.7	3.04	3.56
COLORADO	RURAL	-4.9	1.6	0.451	0.458	-5.4	3.9	9.3	-2.47	-2.93
COLORADO	URBAN	-12.8	-8.9	0.502	0.457	-3.5	1.6	5.1	-1.60	-1.90
CONNECTICUT	RURAL	-12.3	-14.3	0.569	0.488	3.2	5.1	1.9	1.56	1.64
CONNECTICUT	URBAN	2.1	-2.9	0.481	0.467	6.1	8.4	2.3	2.85	3.25
DELAWARE	RURAL	-21.0	-14.6	0.579	0.494	-6.5	-1.0	5.5	-3.21	-3.29
DELAWARE	URBAN	7.1	-4.4	0.507	0.485	13.1	13.5	0.4	6.35	6.75
DISTRICT OF COLUMBIA	URBAN	-19.3	-8.8	0.501	0.457	-10.5	-1.4	9.1	-4.80	-5.70
FLORIDA	RURAL	-29.6	-30.9	0.728	0.503	3.0	6.6	3.6	1.51	1.49
FLORIDA	URBAN	-32.9	-31.2	0.709	0.488	-1.6	3.2	4.8	-0.78	-0.82
GEORGIA	RURAL	-17.9	-13.1	0.561	0.488	-4.5	3.2	7.7	-2.20	-2.30
GEORGIA	URBAN	-12.6	-13.1	0.550	0.478	1.5	4.8	3.3	0.72	0.78
HAWAII	RURAL	-16.7	-3.7	0.514	0.495	-12.7	-1.4	11.3	-6.29	-6.41
HAWAII	URBAN	-20.7	-24.1	0.582	0.442	5.5	11.9	6.4	2.43	3.07
IDAHO	RURAL	13.1	7.0	0.449	0.480	6.8	11.9	5.1	3.26	3.54
IDAHO	URBAN	20.1	17.8	0.399	0.470	3.0	5.7	2.7	1.41	1.59
ILLINOIS	RURAL	-14.2	-12.8	0.558	0.487	-0.6	5.2	5.8	-0.29	-0.31
ILLINOIS	URBAN	-23.6	-20.4	0.602	0.479	-3.1	1.2	4.3	-1.48	-1.62
INDIANA	RURAL	-14.9	-7.0	0.514	0.478	-7.6	1.0	8.6	-3.63	-3.97
INDIANA	URBAN	-5.9	-6.9	0.518	0.482	2.1	4.8	2.7	1.01	1.09
IOWA	RURAL	-7.6	0.0	0.468	0.468	-6.7	2.6	9.3	-3.14	-3.56
IOWA	URBAN	-1.0	-4.2	0.491	0.470	4.5	6.6	2.1	2.12	2.39

STATE	URBAN/RURAL AREA (1)	CHG IN BENE COPAY (%) (2)	COPAY CHG W/O EFFECT OF CHG IN TOT PAY (%) (3)	CURR COPAY SHARE OF CURR PAY (4)	PPS COPAY SHARE OF PPS PAY (5)	ANNUAL PPS IMPACT (%) (6)	ANNUAL BBRA IMPACT (%) (7)	ANNUAL CORRIDOR IMPACT (%) (8)	PPS IMPACT ATTRIB TO BENE COPAY (%) (9)	PPS IMPACT ATTRIB TO PROG PAY (%) (10)
KANSAS	RURAL	-12.4	-6.1	0.499	0.468	-5.7	2.0	7.7	-2.67	-3.03
KANSAS	URBAN	-23.5	-24.0	0.638	0.485	1.5	4.0	2.5	0.73	0.77
KENTUCKY	RURAL	-21.0	-21.3	0.626	0.493	1.4	5.5	4.1	0.69	0.71
KENTUCKY	URBAN	-16.4	-18.9	0.614	0.498	4.2	5.8	1.6	2.09	2.11
LOUISIANA	RURAL	-29.6	-23.9	0.623	0.474	-6.6	1.1	7.7	-3.13	-3.47
LOUISIANA	URBAN	-26.5	-24.6	0.630	0.475	-1.6	2.7	4.3	-0.76	-0.84
MAINE	RURAL	-16.3	-11.0	0.495	0.440	-5.1	5.0	10.1	-2.24	-2.86
MAINE	URBAN	-2.1	4.3	0.439	0.458	-5.1	-0.2	4.9	-2.34	-2.76
MASSACHUSETTS	RURAL	-20.5	-13.4	0.488	0.423	-7.3	0.7	8.0	-3.09	-4.21
MASSACHUSETTS	URBAN	-10.1	-11.7	0.496	0.438	2.8	6.1	3.3	1.23	1.57
MICHIGAN	RURAL	-5.7	0.5	0.492	0.494	-5.2	1.9	7.1	-2.57	-2.63
MICHIGAN	URBAN	-15.5	-14.0	0.550	0.473	-0.8	4.0	4.8	-0.38	-0.42
MINNESOTA	RURAL	-5.8	-3.4	0.484	0.468	-1.5	4.9	6.4	-0.70	-0.80
MINNESOTA	URBAN	3.9	-6.3	0.484	0.454	11.9	12.6	0.7	5.40	6.50
MISSISSIPPI	RURAL	-18.3	-17.4	0.583	0.482	-0.1	5.1	5.2	-0.05	-0.05
MISSISSIPPI	URBAN	-17.6	-15.2	0.576	0.488	-1.8	1.8	3.6	-0.88	-0.92
MISSOURI	RURAL	-16.4	-10.0	0.526	0.474	-6.3	1.9	8.2	-2.99	-3.31
MISSOURI	URBAN	-24.2	-17.9	0.579	0.475	-6.7	0.6	7.3	-3.18	-3.52
MONTANA	RURAL	-5.4	2.0	0.471	0.480	-6.3	2.5	8.8	-3.02	-3.28
MONTANA	URBAN	12.0	5.8	0.470	0.497	6.8	10.4	3.6	3.38	3.42
NEBRASKA	RURAL	-2.0	0.6	0.463	0.466	-1.7	5.1	6.8	-0.79	-0.91
NEBRASKA	URBAN	-6.7	-9.2	0.526	0.477	3.8	4.6	0.8	1.81	1.99
NEVADA	RURAL	-21.9	-13.2	0.571	0.496	-9.3	1.4	10.7	-4.61	-4.69
NEVADA	URBAN	-26.6	-39.4	0.779	0.472	22.4	23.1	0.7	10.57	11.83
NEW HAMPSHIRE	RURAL	0.8	4.9	0.427	0.448	-3.0	1.8	4.8	-1.34	-1.66
NEW HAMPSHIRE	URBAN	0.2	-15.4	0.571	0.483	19.7	20.2	0.5	9.52	10.18
NEW JERSEY	URBAN	-6.1	6.1	0.440	0.467	-10.6	-1.7	8.9	-4.95	-5.65
NEW MEXICO	RURAL	-13.9	-6.1	0.509	0.478	-7.4	1.7	9.1	-3.54	-3.86
NEW MEXICO	URBAN	-9.1	-6.4	0.440	0.412	-2.0	2.1	4.1	-0.82	-1.18
NEW YORK	RURAL	2.9	-3.6	0.466	0.449	7.8	9.7	1.9	3.50	4.30
NEW YORK	URBAN	5.4	11.8	0.401	0.448	-4.7	1.9	6.6	-2.11	-2.59
NORTH CAROLINA	RURAL	-14.0	-14.7	0.576	0.491	1.8	5.9	4.1	0.88	0.92
NORTH CAROLINA	URBAN	-2.1	-5.4	0.510	0.482	4.5	6.6	2.1	2.17	2.33
NORTH DAKOTA	RURAL	-14.8	-1.2	0.470	0.464	-12.8	0.6	13.4	-5.94	-6.86
NORTH DAKOTA	URBAN	-10.7	-3.0	0.487	0.472	-7.1	-1.0	6.1	-3.35	-3.75
OHIO	RURAL	-9.6	-14.8	0.553	0.471	7.1	8.8	1.7	3.34	3.76
OHIO	URBAN	-5.2	-9.0	0.531	0.483	5.2	7.4	2.2	2.51	2.69
OKLAHOMA	RURAL	-14.1	-10.6	0.538	0.481	-2.9	3.1	6.0	-1.39	-1.51
OKLAHOMA	URBAN	-16.1	-18.7	0.596	0.484	4.2	8.0	3.8	2.03	2.17

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OREGON	RURAL	11.4	0.6	0.481	0.484	11.9	14.5	2.6	5.76	6.14
OREGON	URBAN	20.4	9.8	0.436	0.479	10.9	12.8	1.9	5.22	5.68
PENNSYLVANIA	RURAL	-10.9	-15.6	0.565	0.477	6.6	10.4	3.8	3.15	3.45
PENNSYLVANIA	URBAN	-25.9	-27.1	0.663	0.483	2.5	5.4	2.9	1.21	1.29
PUERTO RICO	RURAL	32.3	1.2	0.457	0.462	32.1	32.1	0.0	14.83	17.27
PUERTO RICO	URBAN	14.1	4.2	0.441	0.459	10.8	13.2	2.4	4.96	5.84
RHODE ISLAND	URBAN	-3.1	-4.5	0.508	0.485	2.5	5.1	2.6	1.21	1.29
SOUTH CAROLINA	RURAL	-17.0	-12.3	0.557	0.488	-4.5	1.7	6.2	-2.20	-2.30
SOUTH CAROLINA	URBAN	-18.1	-17.4	0.590	0.487	0.3	3.3	3.0	0.15	0.15
SOUTH DAKOTA	RURAL	0.7	7.3	0.455	0.488	-5.2	3.1	8.3	-2.54	-2.66
SOUTH DAKOTA	URBAN	10.7	4.5	0.485	0.507	6.9	7.4	0.5	3.50	3.40
TENNESSEE	RURAL	-15.1	-16.4	0.579	0.484	2.7	6.1	3.4	1.31	1.39
TENNESSEE	URBAN	-14.9	-14.0	0.569	0.489	0.0	3.5	3.5	0.00	0.00
TEXAS	RURAL	-22.2	-12.6	0.549	0.480	-10.2	1.6	11.8	-4.90	-5.30
TEXAS	URBAN	-27.0	-22.5	0.612	0.474	-4.9	1.3	6.2	-2.32	-2.58
UTAH	RURAL	15.1	11.8	0.440	0.492	3.9	7.2	3.3	1.92	1.98
UTAH	URBAN	9.8	0.6	0.487	0.490	10.4	10.5	0.1	5.10	5.30
VERMONT	RURAL	-8.3	-6.6	0.505	0.472	-0.9	2.6	3.5	-0.42	-0.48
VERMONT	URBAN	40.9	18.1	0.422	0.498	20.3	20.3	0.0	10.11	10.19
VIRGIN ISLANDS		6.9	-4.6	0.449	0.428	13.1	13.1	0.0	5.61	7.49
VIRGINIA	RURAL	-13.2	-10.8	0.558	0.496	-1.8	2.6	4.4	-0.89	-0.91
VIRGINIA	URBAN	-16.2	-15.8	0.583	0.491	0.5	4.4	3.9	0.25	0.25
WASHINGTON	RURAL	7.0	9.6	0.426	0.467	-1.3	5.0	6.3	-0.61	-0.69
WASHINGTON	URBAN	5.5	7.5	0.429	0.461	-0.9	3.4	4.3	-0.41	-0.49
WEST VIRGINIA	RURAL	-10.8	-5.6	0.508	0.479	-4.5	1.6	6.1	-2.16	-2.34
WEST VIRGINIA	URBAN	0.7	-1.8	0.503	0.494	3.5	6.8	3.3	1.73	1.77
WISCONSIN	RURAL	-4.3	-1.2	0.481	0.475	-2.3	3.7	6.0	-1.09	-1.21
WISCONSIN	URBAN	-5.4	-5.7	0.503	0.474	1.4	4.5	3.1	0.66	0.74
WYOMING	RURAL	-0.1	8.9	0.435	0.474	-7.3	2.8	10.1	-3.46	-3.84
WYOMING	URBAN	-9.9	-2.8	0.484	0.470	-6.4	-1.3	5.1	-3.01	-3.39
GUAM		-14.2	4.0	0.400	0.416	-16.6	-4.0	12.6	-6.91	-9.69