

ANNUAL MEDICARE RATE INCREASE PROPOSED FOR HOSPITALS

From US Dept. of Health & Human Services

■ (WASHINGTON) The Department of Health and Human Services Thursday proposed an increase of 2.2 percent in Medicare payments to hospitals in the coming fiscal year. The new rate is derived from a formula provided in law.

Following a comment period and publications of a final rate, the increase would take effect Oct. 1 for the nation's 5,200 short-stay, acute care hospitals participating in the Medicare program. For another 2,000 non-acute care hospitals, the statutory proposed increase for FY 1997 is between 1.7 and 2.7 percent.

Medicare pays short-stay, acute care hospitals a predetermined rate for inpatient hospital services furnished to Medicare beneficiaries, using a prospective payment system (PPS). Under PPS, a base payment rate for each admission is multiplied by a measure, called a diagnosis related group, which reflects the nature of a patient's condition. Hospitals in large urban areas (cities with more than one million people) receive slightly higher base payment rates than those in other urban and rural areas.

Current law requires that the rate increases for PPS hospitals be based on projections of growth in the prices of goods and services purchased by hospitals, known as the hospital market basket, minus 0.5 percentage points. The market basket is currently estimated to be 2.7 percent for FY 1997.

President Clinton's budget for FY 1997 includes a proposed change in the update for PPS hospitals in both urban and other areas, in which the increase would be equal to the market basket rate of increase minus 1.5 percentage points. The proposal is part of the administration's broader plan for reducing spending growth in the Medicare program by \$124 billion over seven years.

Consistent with the administration's proposal, HHS Secretary Donna E. Shalala recommended that the increase in Medicare hospital payments should be only 1.2 percent in the coming fiscal year. However, this lower proposed rate increase would require Congressional action.

Under current law, 2,000 Medicare hospitals excluded from PPS — psychiatric, rehabilitation, long-term and children's facilities — would get a 1.7 percent increase in their rates, although the update can be higher for certain hospitals and units with

costs that are greater than their target amounts. The increase is based on an estimated 2.7 percent increase in the market basket calculated exclusively for these hospitals, minus one percentage point.

Also included in the proposed regulation, which will be published in Friday's Federal Register, is a 4.36 percent increase to the federal capital PPS rate. Medicare makes payments to hospitals for capital related costs on a prospective basis. The covered costs included depreciation, interest, taxes, insurance and similar expenses for plant and equipment.

"The regulation also explains the reasoning behind three options for reducing the federal capital rate," said HCFA Administrator Bruce C. Vladeck. "But we will wait

to see whether this summer Congress approves any adjustment to the capital PPS rate, before deciding whether to include a capital rate reduction in the final regulation."

Medicare paid \$78.9 billion to inpatient hospitals providing acute, short-term care in fiscal year 1995. Hospitals payments are expected to grow by 8.2 percent from \$84.5 billion in FY 1996 to \$90.8 billion in FY 1997.

"The growth in both hospital admissions and new Medicare beneficiaries, and an increase in the severity of cases hospitals treat are fueling the overall increase in Medicare's hospital payments," said Vladeck, who oversees the Medicare program. "The higher payments are not just a result of the increase in Medicare's payment rates."

CEOs, EDUCATION SECRETARY ENDORSE FAMILY-FRIENDLY WORKPLACES

From US Dept. of Education

■ (WASHINGTON) U.S. Secretary of Education Richard Riley announced recently that nearly 80 businesses have joined the Partnership for Family Involvement in Education and many have signed the Employers for Learning Promise, committing their companies to family-friendly practices and partnerships to support children's learning.

Last December, at a ceremony at Marriott International Headquarters in Bethesda, MD, business leaders joined the secretary in launching this nationwide initiative, encouraging family and employee involvement in improving learning for all children.

Several members of the Employers for Learning steering committee attended President Clinton's Corporate Responsibility Breakfast recently, including Gerald Greenwald, CEO, United Airlines, Inc.; John Hendricks, CEO, Discovery Communications, Inc.; and Charles R. Lee, CEO and President, GTE Corporation.

Other steering committee members include American College Testing, Hemmings Motor News, Hewlett-Packard Corp., John Hancock Mutual Life Insurance Co., Marriott International, Mattel, Inc., Northeast Tarrant Chamber of Commerce, Pizza Hut, School Specialty, Southern California Edison, and the U.S. Army.

Riley applauded the employers' commitment to promoting family involvement in learning. "In this effort, good citizenship and

good business sense converge," Riley said.

"These business leaders understand that being family friendly is not just the right thing to do, but the smart thing to do. It can help an employer recruit and keep top workers, improve productivity, and increase employee motivation and loyalty. It is one of the best investments an employer can make in the future."

Family-friendly employers who have signed the Promise actively promote family involvement in learning by allowing time for employees to get involved in schools; initiating, implementing and supporting specific programs that promote family involvement in education; and providing resources to employees about how to become more involved in their own children's education. Employers decide independently what policies and practices they will follow.

The Employers for Learning Promise is an initiative of the partnership for Family Involvement in Education, an informal coalition of almost 300 family, education, business, religious and community organizations who promote children's learning through the development of family-school-community partnerships. For more information about the Employers for Learning Promise and other Partnership for Learning initiatives, call 1-800-USA-LEARN.

"All learning has an emotional base."
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