Outpatient Evaluation & Management Services
And
“Site-Neutral” Cuts

Talking Points

Issue:

Congress is considering a Medicare Payment Advisory Committee (MedPAC) recommendation that would cap total payment for non-emergency department evaluation and management (E/M) services in hospital outpatient departments at the rate paid to physicians for providing the services in their private offices.

Congress is also considering capping total payments for a set of 66 groups of services (referred to as ambulatory payment classifications-APCs) furnished in hospital outpatient departments at a rate paid to physicians for providing services in their private offices and a set of 12 services that are done in a hospital outpatient setting at a rate paid to ambulatory surgical care centers. MedPAC formally made the recommendation of adopting site-neutral payments at its recent meeting on January 16, 2014.

Our Position:

The New Hampshire Hospital Association opposes legislation implementing the E/M services payment changes as well as any reductions in Medicare payments for the 66 APCs at physician office rates or the 12 APCs at ambulatory surgical center rates.

Why Are We Opposed?

- Hospitals lose money treating Medicare patients in outpatient settings.
- Hospital-based clinics provide services that are not otherwise available in the community to vulnerable patient populations
- Patients who are too sick for physician offices are treated in hospital outpatient settings.
• Hospitals have greater costs than physicians providing the same services in their offices. Hospital must comply with much more comprehensive scope of licensing, accreditation and other regulatory requirements than do physician officers.
• Teaching and safety-net hospitals would be hardest hit by the cuts
• Payments for these services should reflect hospital outpatient department costs, not physician payments.

New Hampshire Hospitals are Second Hardest Hit In the Nation

The main reason why New Hampshire hospitals are opposed is because NH is disproportionately impacted by the E/M and site-neutral payment considerations. According to the American Hospital Association, New Hampshire’s hospitals are the second highest impacted state in the nation for a total of $478.7 million in losses over the next ten years.

<table>
<thead>
<tr>
<th>FY 14-23 loss from:</th>
<th>E &amp; M</th>
<th>$297,722,609</th>
<th>Loss as % of total OPPS payments: 8.7%</th>
</tr>
</thead>
<tbody>
<tr>
<td>MedPAC “66”</td>
<td>$137,744,621</td>
<td>4.0%</td>
<td></td>
</tr>
<tr>
<td>MedPAC “12”</td>
<td>$ 43,286,088</td>
<td>1.3%</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>$478,753,318</td>
<td>13.9%</td>
<td></td>
</tr>
</tbody>
</table>

We believe the reason why New Hampshire’s hospitals are disproportionately impacted is due to the fact that New Hampshire’s hospitals have a high proportion of provider based payments because they support hospital owned physician practices. Physician recruitment, particularly in a state like New Hampshire that is predominantly rural, is difficult if employment of physicians was not an option. Without hospitals stepping up to support physician practices in their local communities, primary care services would not be available to the patients they serve.

Our Messages:

• Hospitals are managing an enormous number of changes in 2014 from implementation of electronic health records and ICD-10 to new penalty programs and payment models, to new regulatory hurdles like the two-midnight admission policy, just to name a few.

• We need relief to maintain the services our communities – your communities – rely on. We need relief from the Medicare disproportionate share hospital cuts, recovery audit contractors, two-midnight policy, direct supervision policy, 96-hour rule for critical access hospitals and other excessive and harmful policies.

• Further cuts will jeopardize access to care. Relief from the pressures facing hospitals won’t come through cutting funding for hospital services but will instead only further threaten hospitals’ ability to maintain access to critical services.
• Reject arbitrary cuts to Medicare and Medicaid funding for hospital services like E/M codes and site-neutral payments and support real solutions as Congress looks for ways to pay for the permanent repeal of the SGR and reduce the nation’s deficit.

• Provide relief from excessive and harmful policies that undermine hospitals’ ability to care.

• Support rural health care by extending crucial expiring policies, including the Medicare-dependent Hospital Program and ambulance add-on payments.