

# PROTECT PATIENTS AND REDUCE HEALTHCARE COSTS

The Alliance for Site Neutral Reform supports the budget's site neutral payment policy and similar reforms to protect patients' access to care and reduce healthcare spending

## Payment Disparity Increases Healthcare Costs

Payment policies supporting higher reimbursement in the hospital outpatient department (HOPD) setting have led to a significant shift in the delivery of certain services from the community to the HOPD, resulting in increased costs to patients, employers and taxpayers.

Across the Medicare program, reimbursement rates vary significantly based on site of service and not the healthcare service provided. For the administration of chemotherapy drugs, for example, the payment to a hospital outpatient facility is nearly three times the rate paid to a community cancer clinic (\$136 vs \$390).<sup>1</sup>

A December 2015 Government Accountability Office (GAO) study found that in 2013, the total Medicare payment rate for a mid-level E/M office visit for an established patient was \$51 higher when the service was performed in an HOPD instead of a freestanding physician's office.<sup>2</sup> The IMS Institute also reports that more Americans are receiving cancer care from oncologists whose practices have been bought by hospitals. The cost of providing cancer care in a hospital outpatient department is significantly higher than the exact same care delivered at a community cancer clinic: charging approximately 126 percent higher costs for administering common cancer drugs and 100 percent higher costs for drug infusion services overall.<sup>3</sup>

## Patient Costs Increase

Data show that payment disparities across sites of service result in higher out-of-pocket costs to patients. The data below from the Medicare Payment Advisory Commission (MedPAC) show how beneficiary costs rise for E/M visits when moved outside the physician office setting.<sup>4</sup>

	Physician Office Rate	Total HOPD Rate Includes Facility Fee
Program Payment	\$39.76	\$98.70
Beneficiary Cost Sharing	\$9.94	\$24.68
Total Payment	\$49.70	\$123.38

1 Community Oncology Alliance

2 GAO, Medicare: Increasing Hospital-Physician Consolidation Highlights Need for Payment Reform, December 2015.

3 IMS Institute for Healthcare Informatics, Innovation in Cancer Care and Implications for Health Systems: Global Oncology Trend Report, May 2014.

4 MedPAC Report to Congress, June 2013.

***Other data illustrating the negative impact payment disparities have on patients include:***

- Estimates suggest equalizing payments in 66 groups of services provided in freestanding offices and HOPDs would save Medicare beneficiaries **\$140 - \$380** million in cost-sharing in one year.<sup>5</sup>
- Between 2009 and 2012, Medicare beneficiaries paid **\$4.05 million** more in out-of-pocket costs because of the higher patient co-payment due to the HOPD for chemotherapy services that could have been performed at a community cancer practice for a fraction of the cost.<sup>6</sup>
- A 2012 Avalere study on private payer costs by site-of-service found costs for chemotherapy in HOPDs were **76 percent higher** than freestanding cancer clinics.<sup>7</sup>
- A Milliman study on Medicare costs by site-of-service found \$6,500 annualized higher chemo treatment costs in outpatient hospital cancer facilities versus independent community cancer clinics, which resulted in a **\$650 annualized higher out-of-pocket costs** for Medicare beneficiaries.<sup>8</sup>

## **Protect Payment Parity Across Sites of Service**

Congress has recognized the negative consequences this policy has on patients, taxpayers and businesses and included a site neutral payment provision in the Bipartisan Budget Act of 2015.

The provision aligns payments for all newly acquired provider-based off campus HOPDs with payments to physician practices paid under either the Ambulatory Surgical Center (ASC PPS) or the Medicare PFS. This policy is expected to save Medicare approximately \$9.3 billion over 10 years, however there is significant room for even greater savings.

**Data suggest site neutral payment across Medicare ambulatory settings has the potential to save \$29.5 billion over 10 years.**

## **Expand Policies to Equalize Payments**

While the provision in the Bipartisan Budget Deal is an important first step in instituting payment parity across sites of service, HOPDs billing Medicare prior to November 2, 2015 are able to continue billing at the much higher out-patient rate for the same services.

Medicare should be paying the same fee for the same service regardless of where it is performed. This policy reform has the bipartisan support of lawmakers, MedPAC, GAO and a broad group of healthcare stakeholders including providers, insurers, patient advocacy groups and consumers.

**The Alliance urges Congress to standby the site neutral payment provision included in the budget deal and expand the policy to equalize payments across sites of service for all outpatient services.**

5 Ibid.

6 Berkeley Research Group, Impact on Medicare Payments of Shift in Site of Care for Chemotherapy Administration, June 2014.

7 Avalere, Total Cost of Cancer Care by Site of Service: Physician Office vs Outpatient Hospital, March 2012.

8 Milliman, Site of Service Cost Differences for Medicare Patients Receiving Chemotherapy, October 2011.