Alliance for Site Neutral Payment Reform

February 12, 2016

The Honorable Fred Upton
Chairman
Committee on Energy and Commerce
U.S. House of Representatives
2125 Rayburn House Office Building
Washington, DC 20515

The Honorable Joe Pitts
Chairman
Subcommittee on Health
U.S. House of Representatives
2125 Rayburn House Office Building
Washington, DC 20515

Dear Chairmen Upton and Pitts,

Thank you for the opportunity to provide feedback on Section 603, *Treatment of Off-Campus Outpatient Departments of a Provider*, as included in the recently-enacted Bipartisan Budget Act of 2015 (BBA). We applaud your efforts in working to advance these important reforms, while highlighting their benefits to patients and the Medicare program.

As members of The Alliance for Site Neutral Payment Reform – a coalition formed to address payment parity across sites of service in order to decrease Medicare and commercial spending, lower taxpayer and beneficiary costs and increase patient access – we commend Congress for the inclusion of the site neutral payment provision in the BBA. This provision marks an important first step in equalizing Medicare payments across sites of service, which we believe reduces unnecessary healthcare spending and provides greater patient access. We further urge lawmakers to build on this policy and consider suggested commonsense expansions to this current provision, as outlined below.

As you know, the new law establishes a site neutral payment policy for all newly acquired provider based off-campus hospital outpatient departments (HOPD). The policy would exclude any newly acquired physician practice that does not operate on the main campus of the hospital from the Outpatient Prospective Payment System (OPPS) and would align their payments with other physician practices paid under either the Ambulatory Surgical Center (ASC PPS) or the Medicare Physician Fee Schedule (PFS). This policy appropriately levels the playing field to ensure the exact same care is reimbursed at the same payment level despite the delivery setting. We remain concerned however that large discrepancies in reimbursement to existing off-campus HOPDs continue to drive up healthcare spending in both private and public healthcare plans, therefore increasing costs to patients, employers, insurers and taxpayers, which is why further reforms are needed.

Data show that current healthcare payment structures contribute greatly to a trend that lawmakers are examining closely: healthcare marketplace consolidations. A recent study released by the Government Accountability Office (GAO) underscores an argument that has been made by family and internal medicine physicians, as well as other clinicians and health care providers, insurers, and consumer advocates for years, that Medicare reimbursements that vary across sites of service increase Medicare spending and encourage integration of physician practices with hospitals, further increasing costs and limiting patient choice.

In their report, the GAO recommends Congress equalize payments to curb hospital-physician consolidation after finding that, in 2013, Medicare paid $51 more for each mid-level evaluation and management (E/M) office visit when the service was performed in an HOPD instead of a

freestanding physician's office. The report also found that the percentage of physician office visits in hospital outpatient departments, instead of independent physician practices, was higher in counties with more vertical consolidation between 2007 and 2013.[1]

The disparities in payment between a HOPD and physician office setting range greatly depending on the service. In chemotherapy the payment to a hospital outpatient facility is nearly three times the rate paid to a community cancer clinic ($136 vs. $390).[2] According to a study published by The National Institute of Health Care Reform[3], the average price for magnetic resonance imaging (MRI) of a knee was about $900 in hospital outpatient departments compared to about $600 in physician offices or freestanding imaging centers. Likewise, the average hospital outpatient department price for a basic colonoscopy was $1,383 compared to $625 in community settings. For a common blood test—a comprehensive metabolic panel—the average price in hospital outpatient departments was triple the price—about $37 compared to $13 in community settings.

We strongly believe payment policies that support higher reimbursement in the HOPD setting encourage the acquisition of office-based physician practices, which results in higher costs and the closure of community-based care settings, further restricting patient access to care in the lower cost setting.

This past October, a study published in the Journal of the American Medical Association (JAMA) Internal Medicine, which assessed the association between increases in physician-hospital integration and changes in spending and prices for outpatient and inpatient services, concluded that financial integration between physicians and hospitals is associated with higher commercial prices and spending for outpatient care.[4]

Site neutral payment reform is a simple solution that President Obama, bipartisan lawmakers, MedPAC, GAO and healthcare advocates have all recognized as a vehicle for significant healthcare savings. This policy has been discussed and examined for years and Congress acted appropriately to protect Medicare patients and the Medicare program by enacting site neutral payment reforms however, additional reforms are needed to further reduce spending and protect patient access to care in the community setting. The Alliance urges lawmakers to consider the following suggested improvements to this current-law provision:

Expand Section 603 to encompass <u>all</u> outpatient off-campus facilities, not just those HOPDs that are built or purchased after the November 2nd enactment date: This expansion not only saves the taxpayer, the Medicare program and the patient money, it removes any need for carving out certain facilities. Grandfathering existing facilities before the November 2nd timeline only adds to the number of HOPDs eligible to continue billing at the much higher outpatient rate for the same services. Patients should not be burdened with higher costs for similar care because a hospital purchased their physician's office on November 1st instead of November 2nd.

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[1] Increasing Hospital-Physician Consolidation Highlights Need for Payment Reform, GAO-16-189: Published: Dec 18, 2015. Publicly Released: Dec 18, 2015.

[2] Community Oncology Alliance

[3] Location, Location, Location: Hospital Outpatient Prices Much Higher than Community Settings for Identical Services, The National Institute for Health Care Reform (NIHCR): Published online June 2014

[4] Association of Financial Integration Between Physicians and Hospitals With Commercial Health Care Prices, JAMA Internal Medicine Published online October 19, 2015

According to Berkeley Research Study[5], Medicare beneficiaries paid ***$4.05 million*** more in out-of-pocket costs between 2009 and 2012 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. Patients will continue to pay more for services in these facilities until Section 603 is expanded.

Section 603 is expected to save 9.3 billion dollars over 10 years. Data suggest that standardizing this policy to all outpatient off-campus HOPDs could save an additional 10 to 20 billion dollars. This savings would make the Medicare trust fund more solvent or allow the Committee to use additional savings for other healthcare priorities.

We would welcome the opportunity to discuss these issues in a more formal setting if the Committee is interested in holding a hearing or a briefing for Members and staff. Studies conducted by MedPAC, GAO, AARP and other healthcare leaders support and affirm that Congress made the right decision in pursuing site neutral policies and that these policies should be expanded.

Thank you again for the opportunity to comment on Section 603. We look forward to working with you on this issue in the future. Please let us know if we can provide any additional information.

Sincerely,

Alliance for Site Neutral Payment Reform

Cc: The Honorable Frank Pallone, Jr., Ranking Member
The Honorable Gene Green, Ranking Member,
Subcommittee on Health

[5] Berkeley Research Group, "Impact on Medicare Payments of Shift in Site of Care for Chemotherapy Administration," June 2014.