



Congress Mulling Medicare Site-Neutral Payment Policy

Congress is actively considering several bills related to site-neutral payment that has hospitals across the U.S. significantly concerned.¹ The proposed legislation would lower the price that Medicare pays hospitals for common outpatient services, such as x-rays and general checkups, and match what it pays outpatient facilities such as physician offices.² Facilities that are owned by hospitals (known as hospital outpatient departments, or HOPDs) earn more than twice what an independent outpatient facility earns for providing the same services.³ This Health Capital Topics article will review the changes that are being considered by Congress, as well as the responses from stakeholders.

Medicare pays a substantially higher amount for services provided in an HOPD than it does when the same service is provided in a physician's office or another setting outside of the hospital, such as an ambulatory surgical center (ASC).⁴ For example, Medicare's allowed payment amounts for a colonoscopy was 67% higher in an HOPD, and 62% higher in an HOPD for an MRI.⁵ To sidestep the lower payment rates, some physician offices were purchased and relabeled as an off-campus component for the HOPD, resulting in higher payments.⁶ For many services, there is very little evidence to demonstrate that the quality of care is higher in a hospital setting.⁷ Medicare's payment disparity also affects the rates of payment under private health insurance plans, since these plans typically use Medicare's system as a basis for the payment of physicians and hospitals.⁸

The federal government has been discussing site-neutral payments for nearly a decade, and the newer policies will build off previously drafted legislation that never passed.⁹ An April 26, 2023 congressional hearing focusing on the promotion of competition and transparency in healthcare referenced 17 bill drafts, several of which relate directly to site-neutral payments.¹⁰ Two of the bill drafts build on provisions in the Bipartisan Budget Act of 2015, eliminating current exceptions by 2025, with a third bill draft building on previous regulations that had required all clinic visits to receive the same lower payment rate, including at grandfathered facilities.¹¹ A fourth bill draft would require, beginning in 2026, separate national provider identifiers (NPIs) for each HOPD at which a provider works.¹²

Adopting site-neutral payment policies would result in estimated savings of over \$471 billion to the Medicare

program and Medicare beneficiaries over the next decade.¹³ Medicare's savings would be approximately \$202 billion for the first year, while enrollees would save approximately \$67 billion on cost sharing and an additional \$67 billion on Part D premiums.¹⁴ Further, private health insurance plan premiums would be reduced by 0.75% in aggregate (due to the link between private insurer payment rates and Medicare payment rates).¹⁵ The reduction in private insurance premiums would increase federal tax revenues by \$29 billion, meaning that adopting this site-neutral payment policy would result in total federal government savings of \$231 billion in the first year alone.¹⁶ Moreover, private plan enrollees would save \$18 billion on cost sharing from the payment of lower rates, resulting in total out-of-pocket savings of \$152 billion for enrollees in both private and Medicare plans.¹⁷

Despite the proposed policy's potential savings for both Medicare and private health insurance plans, hospital advocacy groups and stakeholders are voicing clear opposition to such a payment adjustment. The American Hospital Association (AHA) stated that it "has repeatedly opposed additional site-neutral payment cuts to hospital outpatient departments, which would harm beneficiaries, especially those in rural and vulnerable communities."¹⁸ The AHA also argues that site-neutral payments would "would result in a cut to hospitals of \$11.6 billion in the first year and \$180.6 billion over 10 years."¹⁹ The Federation of American Hospitals (FAH) sent a letter to the House Energy and Commerce Committee's Health Subcommittee, asserting that:

"Site-neutral payments do not consider one simple fact: hospitals and physician offices are not the same. Hospitals provide critical services to entire communities, including 24/7 access to emergency care and disaster relief. They need to maintain the ability to treat high acuity patients who require more intense care, and therefore require a different payment structure."²⁰

Experts expect that hospitals and lobbying groups will go to great lengths to stop any new legislation from moving forward.²¹ Eliminating the higher payments to hospital-owned facilities could even result in hospitals reducing the services provided or access to care for patients.²² However, the impact of such a proposed policy is yet to be seen, as it is still just a consideration – for now.

1 “The Wonky Policy That’s Got Hospitals on High Alert”
Tradeoffs, May 4, 2023, <https://tradeoffs.org/2023/05/04/site-neutral-payment-medicare/> (Accessed 5/17/23).

2 *Ibid.*

3 *Ibid.*

4 “Site-neutral payment policies could save Medicare \$471 billion” By Jeff Lagasse, Healthcare Finance, March 6, 2023, <https://www.healthcarefinancenews.com/news/site-neutral-payment-policies-could-save-medicare-471-billion> (Accessed 5/17/23).

5 *Ibid.*

6 *Ibid.*

7 *Ibid.*

8 *Ibid.*

9 “Congress seems inclined to significantly expand site-neutral payment policies in Medicare” By Nick Hut, Healthcare Financial Management Association, May 12, 2023, <https://www.hfma.org/payment-reimbursement-and-managed-care/medicare-payment-and-reimbursement/congress-seems-inclined-to-expand-site-neutral-payment-policies/> (Accessed 5/18/23).

10 *Ibid.*

11 *Ibid.*

12 *Ibid.*

13 Lagasse, Healthcare Finance, March 6, 2023.

14 *Ibid.*

15 *Ibid.*

16 *Ibid.*

17 *Ibid.*

18 “AHA opposes MedPAC recommendations to Congress on site-neutral, Part B drug, wage index policies” American Hospital Association, April 13, 2023, <https://www.aha.org/news/headline/2023-04-13-aha-opposes-medpac-recommendations-congress-site-neutral-part-b-drug-wage-index-policies> (Accessed 5/17/23).

19 “Fact Sheet: Medicare Site-neutral Legislative Proposals Would Jeopardize Access to Care” American Hospital Association, <https://www.aha.org/fact-sheets/2023-05-22-fact-sheet-medicare-site-neutral-legislative-proposals-would-jeopardize-access-care> (Accessed 5/24/23).

20 “FAH Statement for the Record” Federation of American Hospitals, April 25, 2023, <https://www.fah.org/wp-content/uploads/2023/04/FAH-Statement-for-the-Record-EC-Health-Sub-Hearing-4.26.23.pdf> (Accessed 5/17/23).

21 Tradeoffs, May 4, 2023.

22 *Ibid.*



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