

GNYHA POSITION PAPER

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MEDICARE “SITE-NEUTRAL” PAYMENTS FOR HOSPITAL OUTPATIENT SERVICES

GNYHA strongly opposes misguided “site-neutral” Medicare policies that cut hospital reimbursement for outpatient services to make them equal with the rate paid to physician offices for the same services.

The COVID-19 pandemic has been devastating for hospitals. After three years of managing the pandemic’s relentless demands, providers are burning out and retiring at unprecedented rates—exacerbating a looming shortage across the whole continuum of care. Demand for providers is rapidly outpacing the available supply, and as a result access to patient care is deteriorating.

On top of the worsening labor shortage, grinding inflation and rising costs have triggered an accelerating financial crisis. Medicare and Medicaid reimbursement rates remain far below the cost of care and revenues have not kept pace with increasing expenses. In a recent financial survey, 85% of New York hospitals reported negative or unsustainable operating margins. With their financial security and their ability to provide vital services to patients at grave risk, already-strained hospitals simply cannot sustain additional losses.

Given this bleak financial picture, additional site-neutral Medicare cuts will further compromise access to care for vulnerable, underserved communities.

Why Hospitals are Paid More for the Same Service

Hospitals are reimbursed for their outpatient services at a higher rate than physician offices for good reason. Hospitals deliver care 24/7, disproportionately

provide services to medically complex and underserved patients, and comply with myriad regulatory requirements that do not apply to physician offices. Many financially struggling hospitals can barely sustain their critically important outpatient services as is. Site-neutral policies unfairly cut hospital reimbursement for outpatient services by making it equal to the rate paid to physician offices, despite the unequal volume of services.

Congressional Site-Neutral Policies

The Bipartisan Budget Act of 2015 (BBA) included a major site-neutral payment cut to “new,” off-campus provider-based hospital outpatient departments (HOPDs), defined as sites located more than 250 yards from the hospital’s main campus. Off-campus HOPDs that billed Medicare under the outpatient prospective payment system (OPPS) before November 2015 were exempted from the site-neutral cut (referred to as “ex-



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cepted" locations). The 21st Century Cures Act of 2016 then established an exception for off-campus HOPDs that were under construction ("mid-build") when the law was enacted. Services provided at "non-accepted" sites are reimbursed at 40% of the OPPS rate.

Medicare Site-Neutral Policies for Clinic Services

Beginning in 2019, the Centers for Medicare & Medicaid Services (CMS) extended the site-neutral payment rate to clinic visits provided at off-campus locations regardless of whether the site was excepted under the BBA. This harmful policy reduced the national

average payment for evaluation & management services provided in off-campus hospital outpatient clinics by 60%—from \$121 to \$48 per visit in 2023. This non-budget-neutral policy cut payments to hospital clinics nationally by an estimated \$800 million in 2020. Contrary to the BBA's intent, this policy sharply reduced payments to excepted HOPDs and undermined access to critical services for underserved populations. CMS has begun to recognize this issue: in the 2023 OPPS final rule, CMS provided an exemption from the site-neutral clinic visit cuts for rural sole community hospitals to help preserve access to care.

GNYHA Position: GNYHA strongly opposes cutting Medicare payments for HOPD services. Medicare site-neutral cuts do not account for the legitimately higher costs of providing services in a hospital setting. And with hospitals experiencing enormous staffing and financial challenges, now is not the time to dramatically cut Medicare reimbursement rates.