The Hospital + Healthsystem Association of Pennsylvania

Leading for Better Health

Sites Are Not Neutral—Flawed Site Neutral Payment Proposal

Hospitals and hospital outpatient departments (HOPDs) play a critical role in providing communities access to quality health care. Policies that would provide so-called "site neutral" payments for services across various sites-of-service are harmful and undermine the ability of hospitals and HOPDs to fulfill that community service. Site-neutral payment policies, which would reimburse hospitals at payment levels irrespective of the vital role hospitals play in our health care system, will exacerbate challenges in access to care. HAP opposes the expansion of site-neutral payment policies in the acute or post-acute setting.

Why Sites are Not Neutral

The fundamental underpinnings of site-neutral payment policies are erroneous. Sites are not neutral and should not be reimbursed as such.

- Hospitals treat sicker, higher-severity patients for whom the hospital is the appropriate setting.
- Hospitals have 24/7 emergency stand-by capacity that provides a safety net for vulnerable patients, and provides specialized services such as trauma, psychiatric, obstetrics, and pediatric emergency care.
- Hospitals play a critical role in our emergency preparedness structure.
- Hospitals have more comprehensive licensing, accreditation and regulatory requirements.

All of the costs related to supporting this level of care must be reflected in the hospital payment rates.

According to a study comparing care in different sites of care, patients who receive care in a hospital outpatient department (HOPD) are more likely to be from historically marginalized communities and have more severe chronic conditions than patients treated in physician offices.[i] The study reveals that relative to those seen in a physician office, patients seen in HOPDs are:

- 31 percent more likely to be people of color
- 52 percent more likely to be enrolled in Medicare through disability or end-stage renal disease (ESRD)
- 73 percent more likely to be dual eligible
- On average, from lower income areas
- 62 percent more likely to be under age 65 and eligible for Medicare based on disability, ESRD or amyotrophic lateral sclerosis (ALS)
- 11 percent more likely to be at least 85 years old

Medicare beneficiaries treated in HOPDs tend to have more severe chronic conditions and, have higher prior utilization of hospitals and emergency departments.

Another study suggests that the estimated Medicare payment reduction would cost specialties of off-campus HOPDs between $1.3 million and $33.2 million, annually.[ii]

Payment Reductions Threaten Access to Care[iii]

- **Site-neutral payment policies endanger hospitals' ability to continue to provide 24/7 access to emergency care and standby capability and capacity for disaster response.** Hospitals are the only health care provider that must maintain emergency standby capability 24 hours a day, 365 days a year. This standby role is built into the cost structure of hospitals and supported by revenue from direct patient care—a situation that does not exist for any other type of provider.
- **Medicare already pays substantially less than the cost of care for its beneficiaries.** AHA survey data finds that the federal government only pays 84 cents for every dollar hospitals spend providing care to Medicare beneficiaries. Average hospital operating margins were consistently negative throughout 2022, and that over half of hospitals lost money caring for patients in 2022. Moreover, at least three dozen hospitals entered bankruptcy or closed in 2020. Between 2010 and 2021, 136 rural hospitals have closed, and 19 of these closures occurred in 2020, the most of any year in the past decade[3]. Site-neutral cuts contribute to the tenuous financial situation of hospitals.
- **HOPDs have more comprehensive licensing, accreditation, and regulatory requirements than do independent physician offices and ambulatory surgery centers.** Hospitals' safety net roles means that they also are subject to more comprehensive licensing, accreditation, and regulatory requirements than other settings. Site-neutral payment policies fail to account for these fundamental differences between hospitals and other sites of ambulatory care.

HAP urges federal lawmakers to ensure adequate and stable Medicare payments to hospitals and physicians, which reflect the unique costs and capacities of different sites of service. Reject site neutral policies that will threaten access to Pennsylvanians' health care.

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[i] Comparison of Care in Hospital Outpatient Departments and Physician Offices, prepared for the American Hospital Association by KNG Health Consulting, LLC. April 2021.
[ii] Kondamuri NS, Rathi VK, Naunheim MR, Varvares MA. Financial Implications of Site-Neutral Payments for Clinic Visits in Otolaryngology. *JAMA Otolaryngol Head Neck Surg.* 2020;146(1):78–79.
[iii] American Hospital Association. Fact Sheet: Medicare Hospital Outpatient Site-Neutral Payment Policies. March 2023.