

Expanding the unit of payment in the outpatient PPS

ISSUE: Spending and service volume have been growing rapidly in the outpatient PPS. This growth is due primarily to increased intensity and volume of services per outpatient visit. A factor contributing to this growth is that the outpatient PPS is largely a fee schedule, providing separate payments for each service. Expanding the unit of payment to include several related services rather than one is one way to help slow the growth in spending and service volume because providers would have an incentive to consider how efficiently they furnish services.

KEY POINTS: Two options for expanding the unit of payment include:

- Packaging: Hospitals receive a single payment for furnishing an independent service and the ancillaries provided with it. The payment is the same regardless of the number or type of ancillaries furnished with an independent service. The unit of payment is intended to reflect the cost of furnishing a single independent service and the associated ancillary services.
- Bundling: A single payment is made for an encounter or episode of care. This can include multiple independent services and all associated ancillaries, which could be furnished over multiple days.

We plan to explore viable ways to increase packaging and bundling in the outpatient PPS.

ACTION: Staff seeks Commissioners' feedback on our methods and results.

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