

Payment rate differences across ambulatory sectors

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Outline

- Payment differences by setting
- Increasing hospital employment of physicians
 - Often no change in care
 - Significantly higher Medicare payments
- Shift of services from physicians' offices to outpatient departments
- Spending impact
- Policy options

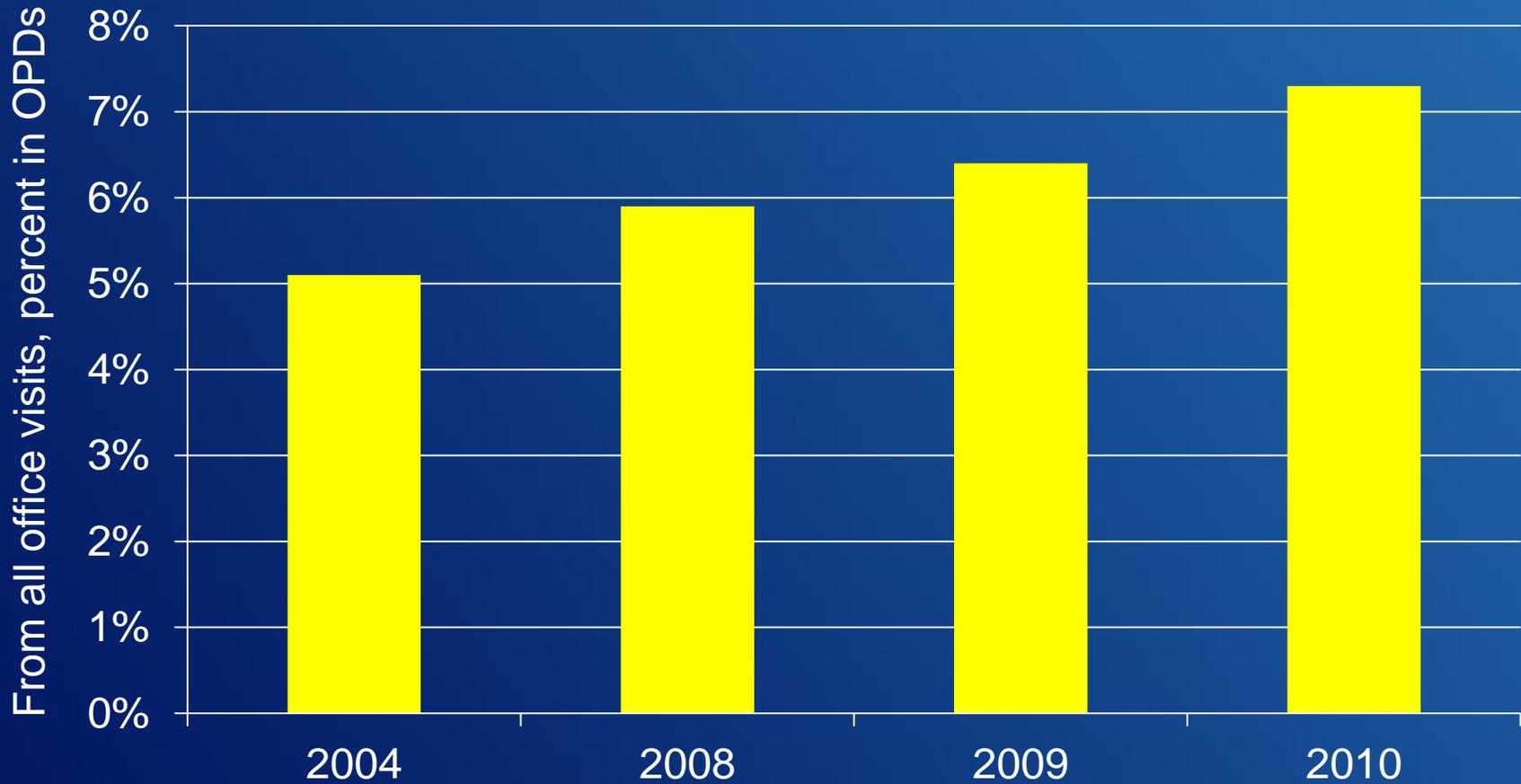
Growth of practice acquisitions and physician employment

- Data suggest that the shift of physicians from free-standing practices to hospital employment is accelerating
- Many factors causing this trend
- Likely to cause billing of services to shift from free-standing practices to OPDs
- Result: May increase program spending and cost sharing without necessarily changing clinical aspects of care

Two types of practice acquisition

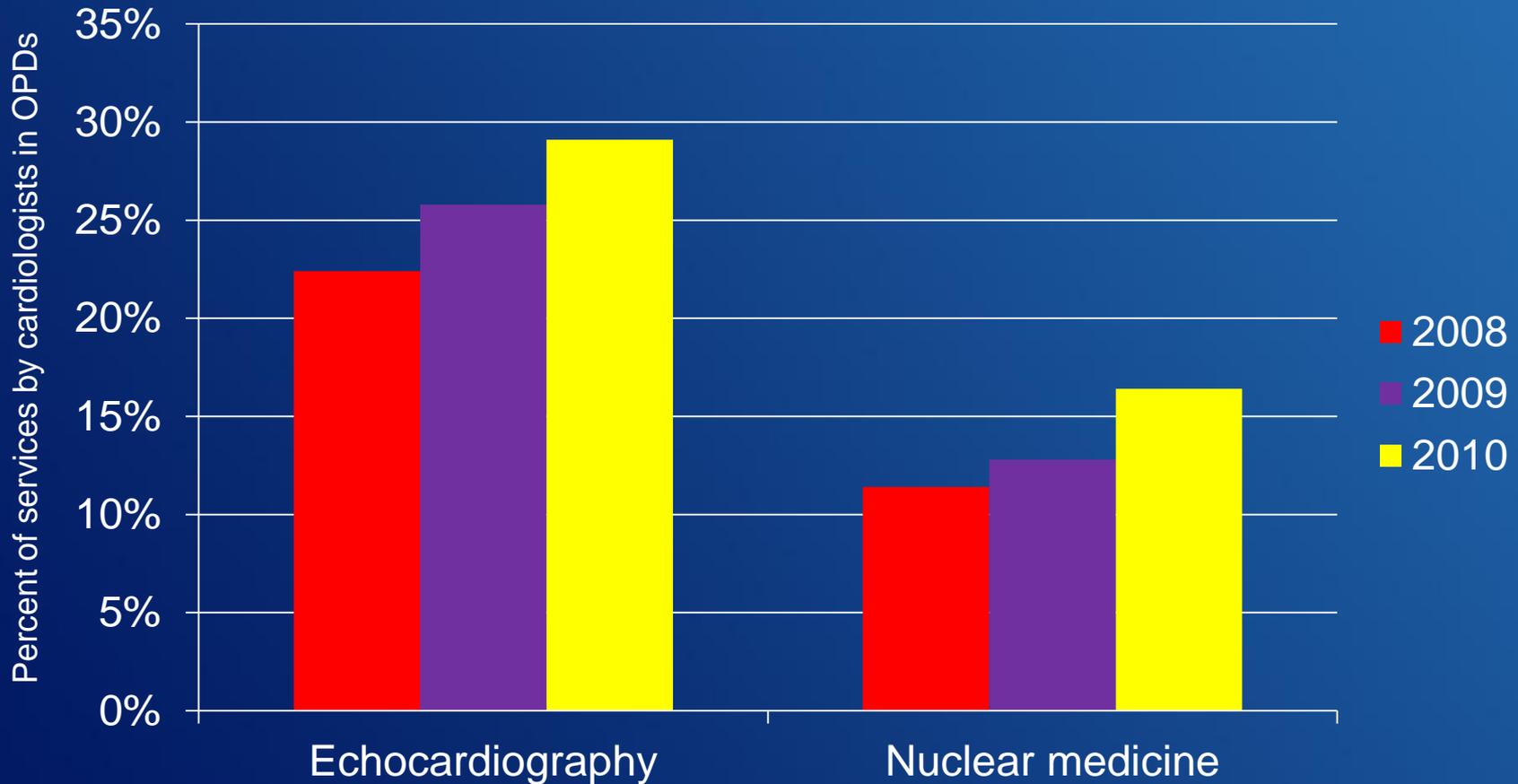
- Type 1: Hospital acquired practice starts to bill Medicare as an OPD
 - Increases Medicare prices
 - May increase practice overhead
 - Two bills per service (physician and hospital)
 - Conditions of participation / physical plant requirements
- Type 2: Hospital acquired practice continues to bill Medicare as a free-standing practice
 - No effect on Medicare payments
 - This discussion does not affect these practices

Office/outpatient visits have shifted from offices to OPDs



Note: Analysis includes CPT codes 99201 through 99215.

Some cardiology services have shown relatively large shift to OPDs



Shift to OPDs is a concern because of higher payment rates

	Visit in OPD			
	Visit in freestanding practice	PFS facility rate	OPPS rate	Total payment
Program payment	\$55.18	\$39.42	\$60.10	\$99.52
Cost sharing	13.79	9.85	15.03	24.88
Total payment	68.97	49.27	75.13	124.40

Note: Payment rates for mid-level office/outpatient visit (CPT code 99213) from 2011 outpatient PPS and physician fee schedule.

Effect of shift on aggregate spending could be large

- In 2010, 222 million office visits were furnished in freestanding practices
- If 50% of them had been billed as provided in OPDs
 - Increase program spending by \$5.4 billion
 - Increase cost sharing by \$1.3 billion

Aligning payments for same services in multiple settings: Principles

- Patients should have access to settings that provide appropriate level of care
- Payment variations across settings may encourage expansion of highest-cost setting, leading to higher spending
- Medicare could base payment rates on resources needed to treat patients in lowest-cost, clinically appropriate setting

Factors to consider in aligning payments across settings

- Differences in patient severity that affect costs
- Costs related to hospitals' unique mission and regulatory requirements
- Differences in the level of packaging of services across settings

E&M office/outpatient visits not provided in emergency departments

- Consider equalizing total Medicare payment rates for these visits across settings
- E&M coding structure accounts for differences in patient severity
 - Classifies visits based on length and complexity
- Visits can be provided in lower-cost setting (physicians' offices)
- Because level of packaging is low, services are similar across settings

Equalizing total payment rates for mid-level visits across settings

	Visit in office	Visit in OPD	
		Current rates	Limit on OPPS rate
Physician rate	\$68.97	\$49.27	\$49.27
OPPS rate	N/A	75.13	\$19.70
Total payment	68.97	124.40	68.97

Policy option

Reduce Medicare payment rates for evaluation and management office/outpatient visits provided in hospital outpatient departments so that total Medicare payment rates for these visits are the same across settings.

Issues to examine in the future

- Address payment differences for other services usually provided in physicians' offices
 - Patient severity
 - Hospitals' additional costs
 - Packaging
- Increase level of packaging in physician fee schedule to be comparable to OPPS

For Commission discussion

- Feedback on policy option to equalize total payment rates for E&M visits
- Future issues to examine
- Additional questions/research