

Payment rate differences across ambulatory sectors

ISSUE: Medicare payments are higher for most services if they are provided in a hospital outpatient department (HOPD) or provider-based entity than if they are provided in a freestanding physician practice. Consequently, as more physicians become employed by hospitals, more services will be provided in HOPDs or provider-based entities, which will result in higher Medicare program spending and beneficiary cost sharing.

KEY POINTS: In our presentation, we will discuss the reasons underlying the increased hospital employment of physicians, empirical trends in where ambulatory services are provided, and differences in payment rates between ambulatory sectors.

ACTION: Commissioners should provide guidance on the direction staff should take on this analysis.

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