Aligning fee-for-service payment rates across ambulatory settings

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Overview

- Previous work
  - 2012-2014: Commission evaluated effects of aligning payment rates between hospital outpatient departments and physician offices; recommendations in 2012 and 2014
  - June 2022: Analysis that built on previous Commission work
- Today: Moving forward from June 2022 analysis; present draft recommendation on aligning payment rates

Differences in Medicare fee-for-service payment rates among ambulatory settings

- Distinct payment systems for three ambulatory settings: Physician offices, HOPDs, and ASCs
- Generally, OPPS has higher payment rates than the PFS and the ASC payment system
- Payment differences can result in higher-cost providers (hospitals) acquiring lower-cost providers (physician offices)
- Billing of services shifts from PFS to OPPS, which increases program outlays and beneficiary cost sharing

Note: HOPD (hospital outpatient department), ASC (ambulatory surgical center), OPPS (outpatient prospective payment system), PFS (physician fee schedule).

Commission's approach to identifying services for aligned payment rates

- Collected services into ambulatory payment classifications (APCs), the payment classification system in the OPPS
- For each APC, used data from 2016-2021 (omitted 2020) to determine the volume in each ambulatory setting
  - If offices had the highest volume, aligned OPPS and ASC rates with PFS rates
  - If ASCs had the highest volume, aligned OPPS rates with ASC rates; kept PFS rates the same
  - If HOPDs had the highest volume, no alignment; payment rates unchanged in each setting

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Note: OPPS (outpatient prospective payment system), ASC (ambulatory surgical center), PFS (physician fee schedule), HOPD (hospital outpatient department).

We identified 66 APCs for which to align payment rates

- 169 APCs for services in OPPS; identified 66 APCs for payment rate alignment
  - We aligned OPPS and ASC rates with PFS rates for 57 APCs
  - We aligned OPPS rates with ASC rates for 9 APCs
  - We did not align payment rates for the remaining 103 APCs
- The services that CMS would select for payment rate alignment might be different

Note: APC (ambulatory payment classification), OPPS (outpatient prospective payment system), PFS (physician fee schedule), ASC (ambulatory surgical center).

Budget neutrality adjustment: Hospitals initially would not have a reduction in revenue

- Budget neutrality adjustment would fully offset lower payment rates for the 66 APCs identified for payment rate alignment
  - For 66 aligned APCs, beneficiary cost sharing and program outlays would be lower
  - For other 103 APCs, budget neutrality adjustment would increase beneficiary cost sharing and program spending to fully offset lower payment rates in the 66 aligned APCs
- However, over time, the shift of services from PFS to OPPS could slow; this would result in savings for beneficiaries and Medicare

Note: APC (ambulatory payment classification), PFS (physician fee schedule), OPPS (outpatient prospective payment system).

Financial effects of payment rate alignment policy coupled with budget neutrality adjustment

- OPPS: Payment rate alignment with budget neutrality would move $7.5 billion in spending from 66 aligned APCs to 103 non-aligned APCs (includes ED visits and trauma care)
- ASC system: Payment rate alignment would move $250 million from aligned APCs to non-aligned APCs

Note: OPPS (outpatient prospective payment system), APC (ambulatory payment classification), ED (emergency department), ASC (ambulatory surgical center).

Redistributive effects of payment rate alignment

- Some hospital categories would see a net gain in total Medicare revenue; others would see a net loss (rural, government)
- Should not adversely affect rural beneficiaries
  - Excludes critical access hospitals; they are paid under a system different from the OPPS
  - Other programs support rural providers, such as rural emergency hospitals and rural health clinics
  - Concerns about specific providers should be addressed with targeted policies

Note: OPPS (outpatient prospective payment system).