



*Advising the Congress on Medicare issues*

# Addressing Medicare payment differences across settings: Ambulatory care services

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# Overview

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- Review of key features of policies discussed during October meeting
- Address questions asked during October meeting
- Provide results of combining effects of policies discussed in October and equal payments for E&M services

# Criteria for services that could have equal rates across settings

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- Frequently performed in physicians' offices (more than 50% of time)
- Similar unit of payment (ancillaries are less than 5% of total cost of service in outpatient system)
- Infrequently provided with an ED visit (less than 10%)
- Minimal difference in patient severity across settings

# Two groups for which payment differences could be eliminated or narrowed

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## Group 1 (equal payments)

> 50% in offices  
< 5% packaging  
< 10% in EDs  
Similar patient severity  
across settings

## Group 2 (reduce differences)

> 50% in offices  
> 5% packaging  
< 10% in EDs  
Similar patient severity  
across settings

# Setting OPPS rates for Group 1 (Example: APC 698, level II eye tests and treatments)

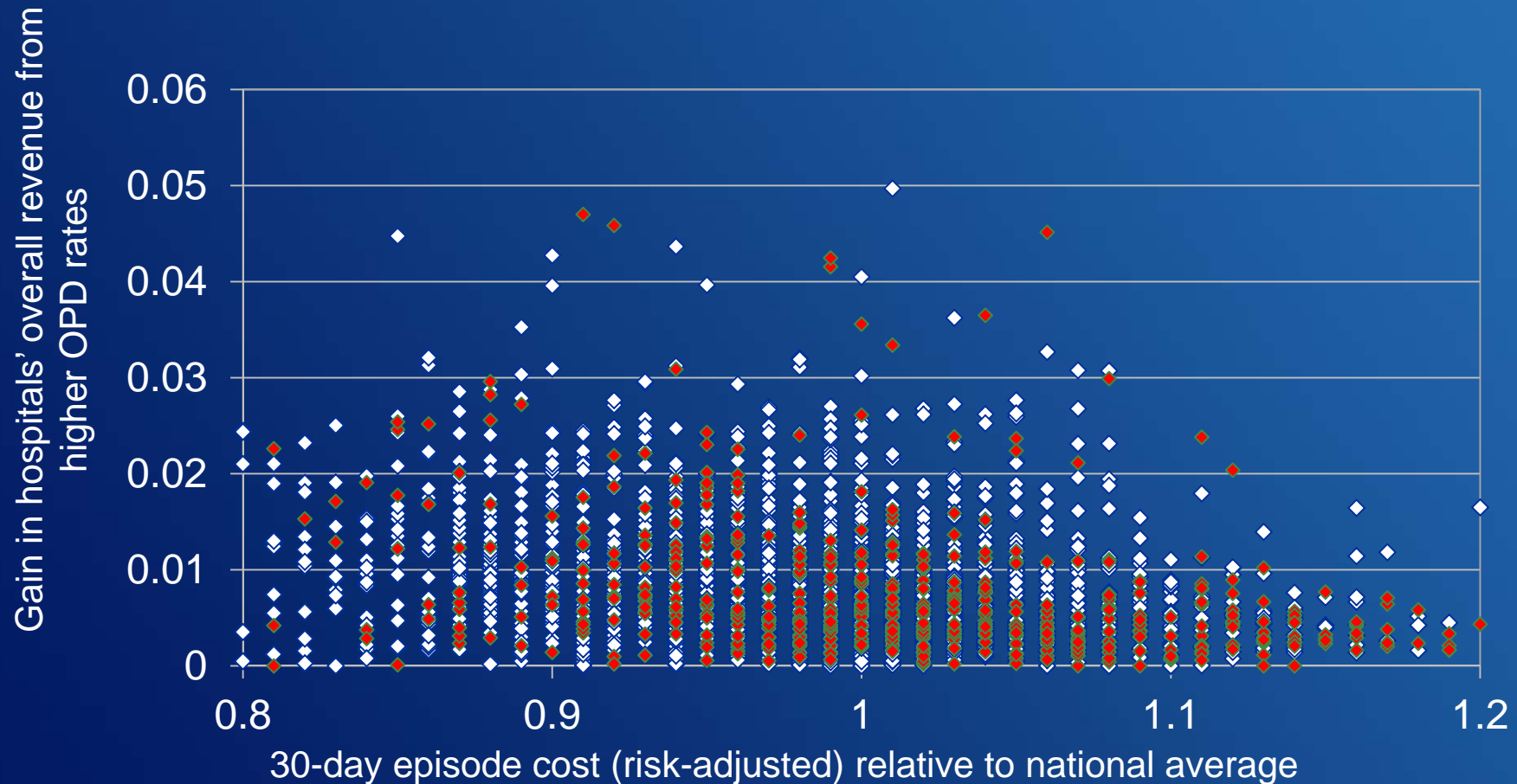
	Visit in office	Visit in OPD	
		Current rates	Limit on OPPS rate
Fee schedule rate	\$66	\$27	\$27
OPPS rate	N/A	67	39
<b>Total payment</b>	<b>66</b>	<b>94</b>	<b>66</b>
<b>(Pct difference)</b>	<b>---</b>	<b>(42%)</b>	<b>(equal)</b>

# Exclude APCs with 90-day global periods

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- Some APCs in Groups 1 and 2 have 90-day global periods in the PFS
- Services with 90-day global periods include more time from physician staff to coordinate with hospitals (APC 247)
- We do not have adequate data to make adjustments for that additional staff time
- Therefore, we exclude services with 90-day global periods from analysis (15 APCs)
  - 71 APCs remain in analysis
  - Saving in program spending and cost sharing declines from \$1.2 billion to \$1.0 billion

# Little correlation between gains from higher OPD rates and episode costs, 2010



# Characteristics of 100 most affected hospitals, 2010

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- Characteristics of 100 most affected hospitals, relative to overall average:
  - Low DSH pct, fewer major teaching, about the same percent rural, more proprietary
  - 53 specialty
- Characteristics of non-specialty hospitals from 100 most affected, relative to overall average:
  - DSH percentage nearly equal, higher percent rural, about same percent proprietary, no major teaching



# Number of hospitals among 100 most affected that have DSH above median

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- 50 under E&M policy
- 24 under policies presented in October
- 7 appear in both E&M policy and in policies discussed in October

# Effects of reducing OPD rates, with and without changes in hold-harmless, 2010

Hospital group	Effect w/o HH	Effect w/ HH
10 <sup>th</sup> percentile	0.2%	0.1%
90 <sup>th</sup> percentile	1.8	1.7
Urban	0.6	0.6
Rural	1.0	0.9
Major teaching	0.6	0.6
Other teaching	0.5	0.5
Non-teaching	0.7	0.7
Voluntary	0.6	0.6
Proprietary	0.6	0.6
Government	0.7	0.7
All hospitals	0.6	0.6

Note: Estimates are preliminary and subject to change

Source: MedPAC analysis of Medicare claims and hospital cost reports

# Effects of combining Group 1, Group 2, and E&M policies, with hold-harmless, 2010

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Policy	Decrease in OPD rev	Decrease in overall rev
Equal E&M	2.7%	0.6%
Groups 1 and 2 (October)	2.8	0.6
Combined	5.5	1.2

Note: Estimates are preliminary and subject to change

Source: MedPAC analysis of Medicare claims and hospital cost reports

# Disaggregated effects of combining Group 1, Group 2, and E&M policies, 2010

Hospital group	Combined effect w/ HH
10 <sup>th</sup> percentile	0.2%
90 <sup>th</sup> percentile	2.7
Urban	1.1
Rural	1.4
Major teaching	1.7
Other teaching	1.0
Non-teaching	1.0
Voluntary	1.2
Proprietary	0.8
Government	1.6
All hospitals	1.2

Note: Estimates are preliminary and subject to change

Source: MedPAC analysis of Medicare claims and hospital cost reports

# Comparing 100 hospitals that would be most affected by combined policy to all hospitals, 2010

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Variable	100 most affected w/ HH	All hospitals
Avg loss	7.7%	1.2%
Median DSH pct	22.2	25.6
Pct major teach	13.0	8.1
Pct rural	24.0	28.9
Pct voluntary	56.0	59.2
Pct proprietary	27.0	24.2
Pct government	17.0	16.6
Avg beds	115	193

Note: Estimates are preliminary and subject to change

Source: MedPAC analysis of Medicare claims and hospital cost reports

# Next steps

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- Investigate lowering threshold for criterion of “frequently performed in physicians’ offices”
  - Currently 50 percent
  - Investigating 25 percent
- Other analyses?