

For Immediate Release
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In case you missed it!

MEDPAC: Congress can save \$6.6 billion for Medicare and \$1.7 billion for seniors by treating patients in most efficient setting

MedPAC's June 2022 [Report to the Congress](#): "Medicare and Health Care Delivery System," includes a chapter dedicated to site-neutral payment reform (Chapter 6: "Aligning fee-for-service payment rates across ambulatory settings"). This chapter highlights new savings opportunities for the Medicare program and beneficiaries.

The **Alliance to Fight for Health Care** supports appropriate payment alignment across service sites as a tool to decrease Medicare and commercial spending, ensure patients receive the right care in the right setting, and lower taxpayer and beneficiary costs. With inflation at a 41-year high, it is critical to consider this policy proposal that will save taxpayers and decrease costs for Medicare beneficiaries.

Importantly, the MedPAC report maintains that Medicare should **base payment rates on the resources needed to treat patients in the most efficient setting**, lessening incentives to shift the provision of services to higher-cost settings. Key points outlined in the report include:

- **The current payment structure for ambulatory services incentivizes consolidation and shifting to higher-cost sites of care, without significant improvements in patient outcomes.** For example, the report finds that from 2015 to 2019, the volume of chemotherapy administration in freestanding clinician offices (the setting for which payment rates are generally *lowest*) fell 5.4 percent, while the volume in hospital outpatient departments (HOPDs) (the setting for which payment rates are generally *highest*), climbed 27.8 percent.
- **Potential annual savings from applying site-neutral policies to proposed ambulatory payment classifications (APCs) of \$6.6B to Medicare and \$1.7B for beneficiaries.** If changes in payments resulting from aligning payment rates were utilized as program savings, Medicare program spending in 2019 would have declined by \$6.6 billion and beneficiary cost-sharing obligations by \$1.7 billion. Across all hospitals, a site-neutral policy would have reduced Medicare spending by 4.1 percent and beneficiary outpatient prospective payment system (OPPS) cost-sharing by 13.2 percent.
- **A thoughtful approach to identifying sites and services poised for payment alignment can protect against safety concerns while advancing site neutrality.** MedPAC evaluates payment alignment when the site of care is deemed safe and appropriate. MedPAC 1) identified 57 APCs to align payment across three ambulatory settings (HOPD, ambulatory surgical centers (ASC), and freestanding offices) with the lower physician fee schedule (PFS) rate and 2) identified 11 APCs to align payment across two ambulatory settings (HOPDs and ASCs) with the lower ASC rate. In these cases, the majority of services are currently being provided in the lower-cost facility. They also determined that for 101 ambulatory payment

classifications (APCs), including emergency department (ED) visits, the HOPD is the most frequent setting and should continue to have a generally higher payment rate.

- **The belief that HOPDs serve sicker patients and should be paid more is unfounded.** MedPAC found that patient severity has little effect on the costs incurred by HOPDs for which payment rate alignment across settings would be reasonable. They conclude that if payment rates were aligned, adjustments for patient severity would not be needed.
- **Policymakers should ensure hospitals receive adequate financial support to maintain emergency capacity.** MedPAC suggests that to maintain vital support to hospitals for standby emergency capacity, the APCs for ED visits, critical care visits, and trauma care visits could be reclassified from standard APCs to comprehensive APCs (C-APCs), enabling higher payment rates for the provision of services and thus appropriately reflecting the hospital-level costs of items and services provided.
- **Policymakers should protect taxpayers and low-income Medicare beneficiaries.** MedPAC suggests that policymakers consider an alternative to the existing budget-neutrality policy in a way that results in savings to Medicare (and, therefore, the federal government) while also limiting the loss of Medicare revenue for hospitals that serve a high share of low-income beneficiaries.

The Alliance looks forward to working with Congress to encourage site neutrality in commercial settings and are hopeful these thoughtful policies will be advanced. [As noted by the Alliance](#) earlier this month, 72% of insured Americans believe the **price of health care services should be the same no matter where that service is received.**

The **Alliance to Fight for Health Care** is a broad-based coalition comprised of businesses, patient advocates, employer organizations, unions, health care companies, consumer groups and other stakeholders that support employer-provided health coverage. Together, we are working to ensure that employer-provided coverage remains an available and affordable option for working Americans and their families.

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