

Site-neutral payments

Educational briefing for cardiovascular leaders

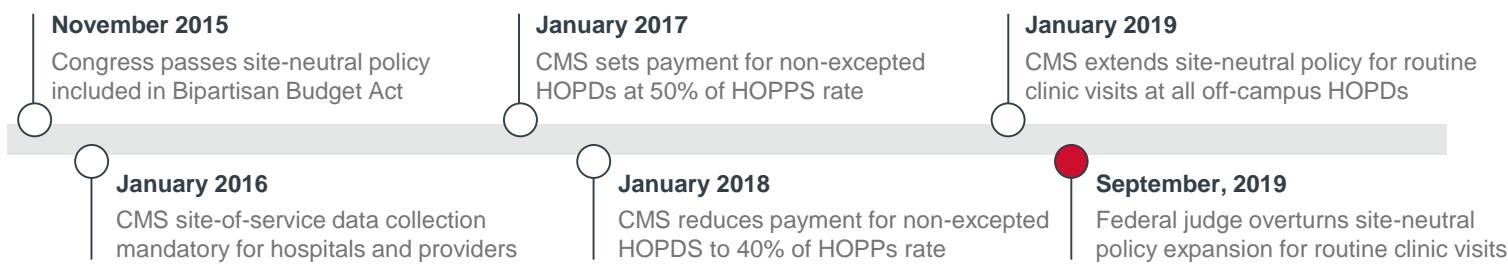
Note: This information reflects the Calendar Year 2019 Medicare Physician Fee Schedule and Hospital Outpatient Prospective Payment System Final Rules and is subject to change.

What are site-neutral payments?

Site-neutral payments, also called payment leveling or payment equalization, refers to a reduction in Medicare reimbursement discrepancies related to facility ownership. Until 2017, hospital outpatient departments (HOPD) received higher Medicare reimbursement for the same services than non-hospital-owned facilities. This incentivized hospital acquisition of independent sites, as hospitals could switch their designation to HOPD and capture a higher payment rate. The resulting increase in Medicare spending and patient co-pays has caught the attention of Congress and CMS¹, leading to legislation that reduced Medicare payments for newer hospital-owned off-campus facilities. These facilities are reimbursed at 40% of the hospital rate in 2019.

Site of care designation	Site ownership	Medicare payment mechanism	Relative reimbursement
Hospital outpatient department (HOPD)	Hospital or health system	Hospital outpatient prospective payment system (HOPPS)	Higher
Physician office; independent testing facility (IDTF)	Independent physician(s), physician group, hospital or health system, third party	Medicare physician fee schedule (MPFS)	Lower

Site-neutral payments plateau at 40% of HOPPS rate



Why is site-neutral payment a key issue for cardiovascular programs?

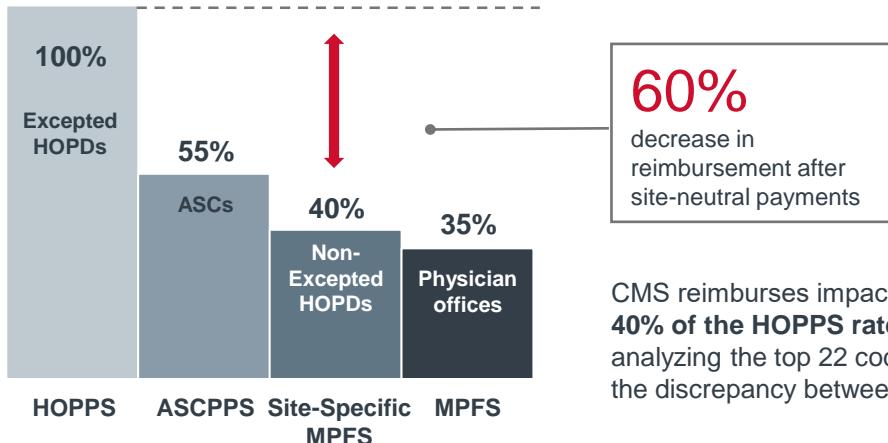
Reduces current and expected outpatient revenue. Many non-invasive cardiovascular services (e.g., echocardiography) are performed at off-campus physician practices, with even some low-acuity procedures (e.g., Peripheral vascular interventions, implantable loop recorders) allowed in the physician office setting. For this reason, outpatient reimbursement changes will have a significant impact on CV's current revenue. It will also change the ROI on practice acquisition or construction of new ambulatory sites that offer cardiovascular services.

Source: CY 2019 Medicare Physician Fee Schedule Final Rule, CMS; MedPAC, www.MedPAC.gov; CY 2019 Hospital Outpatient Prospective Payment System Final Rule, CMS; H.R.1314 - Bipartisan Budget Act of 2015; Cardiovascular Roundtable research and analysis.

1. Centers for Medicare and Medicaid Services

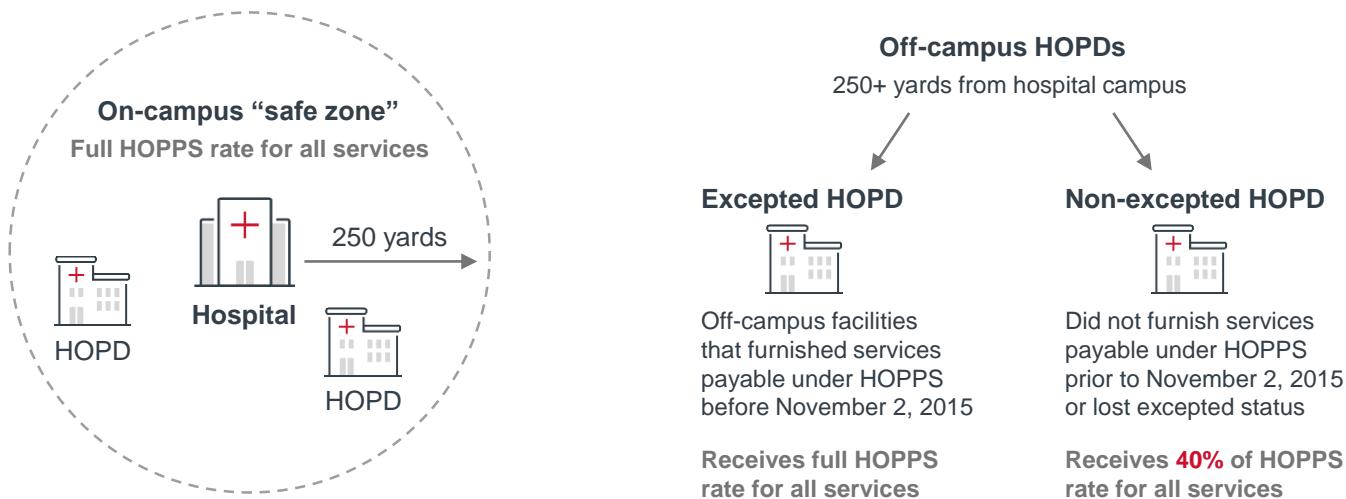
Frequently asked questions

How do site-neutral payments equalize payments?



CMS reimburses impacted facilities at a "non-facility MPFS rate," set at **40% of the HOPPS rate** for each service. This rate was determined by analyzing the top 22 codes billed by off-campus HOPDs and evaluating the discrepancy between their corresponding HOPPS and MPFS rates.

What sites are impacted by site-neutral payments?



Excepted HOPDs can be shifted to site-neutral payment as a result of **facility relocation, remodeling or change in ownership**. Any change in the address of an off-campus HOPD, including changes as small as a unit or suite number, will subject a facility to the site-neutral rate. However, off-campus HOPDs that must relocate due to "**extraordinary circumstances**" such as natural disasters are permitted to keep their excepted status. If the off-campus HOPD is acquired as a result of the **acquisition of the HOPD's parent entity** (i.e. health system), it may remain on the higher fee schedule.

How do site-neutral payments affect billing?

First, CMS is unable to differentiate between multiple HOPDs billing under the same hospital tax ID. Therefore, there is no mechanism for CMS to tell whether a site meets the criteria for payment reduction under the site-neutral payment policy. As of now, non-excepted facilities are required to submit the modified "PN" on all claims.

Second, CMS's systems are structured to prevent facilities designated as HOPDs from billing under the MPFS. However, the law clearly states that affected sites cannot bill under HOPPS. As it currently stands, all impacted HOPDs will be paid through HOPPS on a non-facility MPFS rate that is specifically adjusted to be 40% of the traditional HOPPS rate.

Frequently asked questions (cont.)

If I expand my service offerings, will I be able to continue billing on HOPPS?

Off-campus HOPDs that were billing for any service on HOPPS prior to Nov. 1, 2015 can continue to bill at the higher HOPPS rate for any services added after that date for the time being.

In 2019 CMS proposed, but did not finalize, a move to reimburse expanded services at a site-neutral rate. However, they did mention a continued interest in limiting off-campus HOPD payments and are considering a few different methods for setting volume or payment caps in HOPDs in the future.

Payment changes for routine outpatient clinic visits

- **January, 2019:** Payments for code G0463, hospital outpatient clinic visit for assessment and management of a patient, are cut across all off-campus HOPDs regardless of if they meet the above facility criteria. The code received a 30% cut in payments, reducing the national payment rate for this procedure from \$116 to \$81 based on 2018 rates.
- **September, 2019:** Federal judge overturned the policy expansion, saying the administration had overstepped its authority by finalizing the policy.

► Please see [our blog](#) on these payment changes for more information and continuing developments.

Is this the last we will hear about site-neutral payments?

Almost certainly not. Site-neutral payments are expected to expand through subsequent rule-making cycles. At the start of 2019, CMS began to track a new modifier (ER) to monitor how services are shifting to freestanding or off-campus emergency departments currently exempt from site-neutral payments. The creation of the ER modifier could indicate further reductions in payment gaps.

Private payers have also taken note of the payment discrepancies between HOPDs and freestanding sites. Anthem and UnitedHealthcare separately announced that they will no longer pay for certain advanced imaging services at hospital-based facilities and echo could eventually be added to this list in the future. Click [here](#) for more information.

How can cardiovascular leaders succeed under site-neutral payments?

- ❑ **Identify affected sites and assess financial impact.** Even within a single health system, not all outpatient sites will be affected by the policy (see criteria for impacted sites). Determine which facilities will be impacted by site-neutral payments, then work with your hospital or service line leadership to determine how your organization will compensate for lost revenue and to evaluate strategic service allocation.
- ❑ **Ensure billing compliance.** Provide education to your billing department to ensure that all claims from affected sites have a “PN” modifier. Not only is this required, but it will also help to further educate CMS about what is equitable regarding site-neutral payment in future rule-making cycles.
- ❑ **Capitalize on owning a lower-priced site of care.** To help offset impending revenue cuts, health systems should compete for cardiovascular market share now. Consider leveraging a lower-priced site of care to attract price-sensitive patients and cost-accountable referring providers before continued payment neutralization reduces or eliminates the pricing advantage of these sites.
- ❑ **Rethink acquisition strategy of CV practices.** Historically, acquiring an independent CV practice was financially attractive due to the ability to repatriate ancillaries onto a higher HOPPs fee schedule. With that strategy no longer leading to higher revenue, hospitals and independent physician groups must reconsider the drivers of clinic acquisition and partnership strategy and evaluate potential physician practice acquisition based on value-based measures.