



Aug. 4, 2023

Dear Colorado Delegation:

On behalf of the Colorado Hospital Association (CHA) and its 100+ member hospitals and health systems, I write to share significant concerns with the “site neutral payment proposals” currently under consideration in Congress. If enacted, these policies would reduce patient access to care, particularly in rural and other medically underserved communities throughout the state.

The term site-neutral payment typically refers to reducing hospital outpatient department (HOPD) payments to align them with the rates Medicare pays to other outpatient care settings, including ambulatory surgery centers or independent physician practices. Site-neutral payment policies are misguided and ignore the reality that Medicare significantly underpays hospitals for the cost of caring for a much more complex patient population, most of whom have federally backed health insurance, are underinsured, or are uninsured. Site-neutral policies would harm hospitals including rural providers that already operate at a staggering negative 17.8 percent total Medicare margin. One site-neutral payment proposal from the Medicare Payment Advisory Commission would reduce this number to an alarming negative 21 percent.¹

These policies do not recognize the higher level of patient acuity seen in the hospital setting and the dramatic differences in regulatory compliance. Site neutrality centers on the setting rather than the patient, and therefore fails to acknowledge that HOPDs are more likely to see sicker and more complex patients, needing more specialized clinical personnel and broader facility capabilities.² For example, nursing facilities usually send their patients to HOPDs for necessary outpatient services because freestanding physician offices are often not prepared to fully meet the needs of these older, more vulnerable patients.

Additionally, given their unique role, hospitals are held to higher standards and have different regulatory requirements than ambulatory surgery centers and freestanding physician offices. Federal and state regulators place licensure, certification, conditions of participation and other regulatory requirements on HOPDs because of their specialty staffing and capabilities to provide more complex care. For example, hospitals are prepared and available 24/7/365 for emergencies. None of these additional requirements are specifically funded and must be covered through direct patient care revenue. Reducing reimbursement for outpatient services provided in HOPDs while serving a more complex

¹ Medicare Payment Advisory Commission, June 2023 Report to Congress - https://www.medpac.gov/wp-content/uploads/2023/06/Jun23_MedPAC_Report_To_Congress_SEC.pdf

² KNG Health Consulting LLC, Comparison of Medicare Beneficiary Characteristics Between Hospital Outpatient Departments and Other Ambulatory Care Settings - <https://www.aha.org/system/files/media/file/2023/03/Comparison-of-Medicare-Beneficiary-Characteristics-Between-Hospital-Outpatient-Departments-and-Other-Ambulatory-Care-Settings.pdf>

patient population will force hospitals to make difficult decisions about the services they can continue to offer their patients.

The current site-neutral payment proposals would impose millions of dollars in additional Medicare payment cuts to Colorado hospitals that would be difficult to absorb. The main option would be to close certain HOPDs, thereby eliminating access to care that is often only available at HOPDs. In the wake of the COVID-19 pandemic, many Colorado hospitals are struggling to achieve solid financial footing, with 56 percent below the margin needed for long-term sustainability due to increased costs and lagging reimbursement. Imposing additional cuts in the current financial climate will only worsen the problem, putting access to essential care and services in jeopardy. In some areas, this may result in the closure of services or sale of facilities.

To preserve patients' access to care and hospital sustainability, I urge you to oppose any-site neutral payment proposals that come before you for a vote. We appreciate your consideration, and please let us know if we can answer any questions.

Thank you,

A handwritten signature in black ink that reads "Jeff Tieman". The signature is written in a cursive, flowing style.

Jeff Tieman
President and Chief Executive Officer
Colorado Hospital Association