



# Oppose Site Neutral Payment Proposals



**So called “Site Neutral Payment Proposals” would reduce patient access to care, particularly in rural and other medically underserved communities throughout the state, and could impose millions of dollars in additional Medicare payment cuts to Colorado hospitals.**

## What Are Site Neutral Payment Proposals?

There are multiple legislative proposals currently under consideration in Congress that could impose millions of dollars in additional Medicare payment cuts to Colorado hospitals. Such proposals would reduce the Medicare reimbursement rate for services provided in hospital outpatient departments (HOPDs) to align them with the rates Medicare pays to ambulatory surgery centers and physician practices.

### Site Neutral Payment Policies are Misguided and Would Hurt a Hospital’s Ability to Provide Care

- 1. Medicare already significantly underpays hospitals for the cost of caring for patients.** The impact of these proposals would be particularly harmful to rural hospitals, which currently operate at a staggering negative 17.8% total Medicare margin. One proposal from the Medicare Payment Advisory Commission would reduce this number to an alarming negative 21%.<sup>i</sup>
- 2. HOPDs are more likely to see sicker and more complex patients, needing more specialized clinical personnel and broader facility capabilities.**<sup>ii</sup> For example, skilled nursing facilities usually take their patients to HOPDs for necessary outpatient services because freestanding physician offices are not prepared to fully meet the needs of these older, more sickly patients.
- 3. 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. None of these additional requirements are specifically funded and must be covered through direct patient care revenue.
- 4. The current site neutral payment proposals have the potential to impose millions of dollars in additional Medicare payment cuts to Colorado hospitals.** In the wake of the COVID pandemic, many Colorado hospitals are struggling to make ends meet, with 56 percent failing to achieve a margin needed for long-term sustainability due to increased costs and lagging reimbursement.<sup>iii</sup> Imposing additional cuts in the current financial climate will only worsen the problem, putting access to essential care and services in jeopardy.

Examples of services that are jeopardized with site neutral payments
<ul style="list-style-type: none"> <li>• 24/7 access to emergency services</li> <li>• Standby capability and capacity for disaster response</li> <li>• Convenient access to care for the most vulnerable and the medically complex beneficiaries</li> <li>• Access to cancer care for patients with chronic conditions</li> </ul>

<sup>i</sup> 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](https://www.medpac.gov/wp-content/uploads/2023/06/Jun23_MedPAC_Report_To_Congress_SEC.pdf)

<sup>ii</sup> 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>

<sup>iii</sup> Colorado Hospital Association, analysis of data from CHA’s DataBank