Aligning fee-for-service payment rates across ambulatory settings

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Overview

- Previous work
  - 2012-2014: Commission evaluated effects of aligning payment rates between hospital outpatient departments and physician offices
  - June 2022: Analysis that built on previous Commission work
  - November 2022: Discussed three options for savings from aligned payment rates: Budget neutral adjustment; Medicare keeps the savings; use some of the savings as a safety net
- Today: Summarize the work that we have completed; present Chair's draft recommendation on aligning payment rate

Differences in Medicare fee-for-service payment rates among ambulatory settings

- Distinct payment systems for three ambulatory settings: Physician offices, hospital outpatient departments (HOPDs), and ambulatory surgical centers (ASCs)
- Payment rates often differ for the same service among ambulatory settings
  - Outpatient prospective payment system (OPPS) has higher payment rates than the physician fee schedule (PFS) and the ASC payment system for most services

Different rates across settings can increase Medicare spending and beneficiary cost sharing

- Payment differences can result in higher-cost providers acquiring lower-cost providers
  - Hospitals can acquire physician practices and bill at higher OPPS rates with little or no change in the site of care
  - Share of services for office visits, echocardiography, cardiac imaging, and chemotherapy administration has substantially increased in HOPDs and decreased in offices
- Shift of services increases program outlays and beneficiary cost sharing

Note: OPPS (outpatient prospective payment system, HOPD (hospital outpatient department).

Acquisition of physician practices has shifted billing of services from PFS to OPPS

Service	Share billed to OPPS, 2012	Share billed to OPPS, 2021
Office visits	9.6%	12.8%
Chemotherapy administration	35.2	51.9

Note: PFS (physician fee schedule), OPPS (outpatient prospective payment system).
Source: MedPAC analysis of standard analytic claims files, 2012 and 2021.

Data preliminary and subject to change

Issues to address when aligning payment rates across ambulatory settings

- Some services cannot be provided in offices or ASCs; must be provided in HOPDs (ED visits, complex procedures)
- OPPS and ASC system have different payment units than PFS; more packaging of ancillary items in OPPS and ASC system relative to PFS
- Align payments only if it is safe and clinically appropriate to provide service in lower-cost settings for most beneficiaries

Note: ASC (ambulatory surgical center), HOPD (hospital outpatient department), ED (emergency department), OPPS (outpatient prospective payment system), PFS (physician fee schedule).

Identifying services for aligned payment rates

- Collected services into ambulatory payment classifications (APCs), the payment classification system in the OPPS
- For each APC, used data from 2016-2021 (omitted 2020) to determine the volume in each ambulatory setting
  - If offices had the highest volume, aligned OPPS and ASC rates with PFS rates, plus addition for packaging
  - If ASCs had the highest volume, aligned OPPS rates with ASC rates; kept PFS rates the same
  - If HOPDs had the highest volume, no alignment; payment rates unchanged in each setting

Note: OPPS (outpatient prospective payment system), ASC (ambulatory surgical center), PFS (physician fee schedule), HOPD (hospital outpatient department).

Aligning OPPS payment rates with PFS payment rates: Level 2 nerve injection APC

	Service in office	Service in HOPD	Service in HOPD with rates aligned
PFS payments			
Work	$59.51	$59.51	$59.51
PE	190.43	31.08	31.08
PLI	5.95	5.95	5.95
OPPS payment	N/A	644.34	159.35
Total payment	$255.89	$740.88	$255.89

$190.43

Note: OPPS (outpatient prospective payment system), PFS (physician fee schedule), APC (ambulatory payment classification), HOPD (hospital outpatient department), PE (practice expense), PLI (professional liability insurance).

Source: MedPAC analysis of PFS and OPPS payment rates, 2023.

We identified 66 APCs for which to align payment rates

- 169 APCs for services in OPPS; appropriate to align payment rates for 66 APCs
  - We aligned OPPS and ASC rates with PFS rates for 57 APCs
  - We aligned OPPS rates with ASC rates for 9 APCs
  - We did not align payment rates for the remaining 103 APCs

Data preliminary and subject to change

Note: APC (ambulatory payment classification), OPPS (outpatient prospective payment system), PFS (physician fee schedule), ASC (ambulatory surgical center).

Aligning payment rates across three ambulatory settings for 57 APCs

- For the 57 APCs, aligning payment rates would reduce beneficiary cost sharing and program outlays
  - Under OPPS, 2021 cost sharing on aligned services would decrease by $1.2 billion and program outlays by $4.9 billion
  - Under ASC system, 2021 cost sharing on aligned services would decrease by $50 million and program outlays by $200 million
- Budget neutrality adjustment: For the 103 non-aligned APCs, CMS would increase OPPS rates (including ED visits) to fully offset lower payment rates in the 57 aligned APCs
- Aggregate OPPS spending would not change

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Note: APC (ambulatory payment classification), OPPS (outpatient prospective payment system), ASC (ambulatory surgical center), ED (emergency department).

Aligning OPPS payment rates with ASC payment rates for 9 APCs

- 9 APCs are for surgical procedures (ophthalmologic, GI, and musculoskeletal)
- Under OPPS, 2021 cost sharing for aligned services would decrease by $300 million and program outlays by $1.0 billion
- Budget neutrality adjustment: For the 103 non-aligned APCs, CMS would increase OPPS rates (including ED visits) to fully offset lower payment rates in the 9 aligned APCs
- Aggregate OPPS spending would not change

Data preliminary and subject to change

Note: OPPS (outpatient prospective payment system), ASC (ambulatory surgical center), APC (ambulatory payment classification), GI (gastrointestinal), ED (emergency department).

Effects of payment rate alignment policies coupled with budget neutrality adjustments

- Percent change, total Medicare revenue for hospital categories

Hospital category	Payment alignment policies with budget neutral adj
All hospitals	0.0%
Urban	0.2
Rural (no CAHs)	-2.5
Nonprofit	0.0
For-profit	1.0
Government	-0.8

Note: APC (ambulatory payment classification), CAH (critical access hospital).
Source: MedPAC analysis of hospital cost reports and standard analytic claims files, 2021.

Data preliminary and subject to change

Adjustment for patient severity does not appear to be needed

- On average, HOPD patients have slightly higher risk scores than office patients, however:
  - The services in the aligned APCs are generally very low complexity
  - Under OPPS, providers can bill for additional services if a patient needs more intensive care; this contrasts with the IPPS
  - We found that hospital charges for the services in the aligned APCs are largely unaffected by patient health status
  - Analysis of HOPD and office risk scores: Only 8% of HOPD risk scores are above 95th percentile of risk scores for office and HOPD combined

Data preliminary and subject to change

MEDPAC

Note: HOPD (hospital outpatient department), APC (ambulatory payment classification), OPPS (outpatient prospective payment system), IPPS (inpatient prospective payment system).