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Site-Neutral Payment Policies

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National Council of Insurance Legislators

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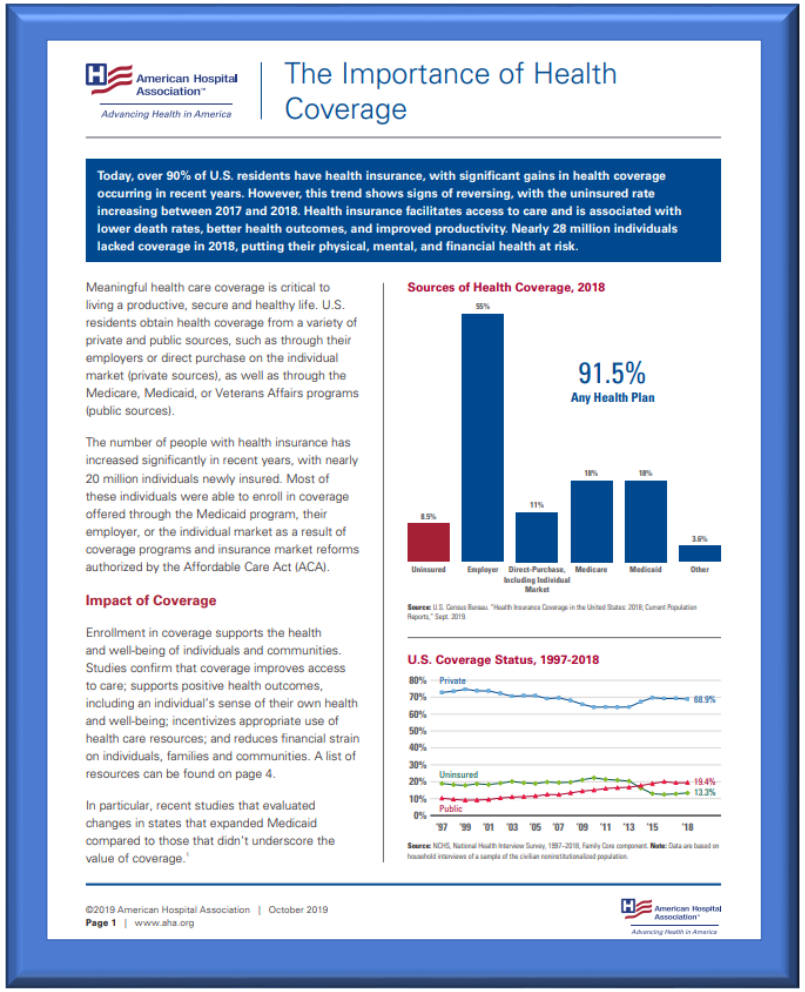
Ensuring Patient Access to Care

Access to quality care is top priority for hospitals and health systems.

Appropriate health care system financing is imperative to ensuring access to comprehensive, quality health care services.

Health care coverage is essential, and patients should not face financial barriers to care due to **unaffordable cost-sharing** or **gaps in their coverage.**



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The Importance of Health Coverage

Today, over 90% of U.S. residents have health insurance, with significant gains in health coverage occurring in recent years. However, this trend shows signs of reversing, with the uninsured rate increasing between 2017 and 2018. Health insurance facilitates access to care and is associated with lower death rates, better health outcomes, and improved productivity. Nearly 28 million individuals lacked coverage in 2018, putting their physical, mental, and financial health at risk.

Meaningful health care coverage is critical to living a productive, secure and healthy life. U.S. residents obtain health coverage from a variety of private and public sources, such as through their employers or direct purchase on the individual market (private sources), as well as through the Medicare, Medicaid, or Veterans Affairs programs (public sources).

The number of people with health insurance has increased significantly in recent years, with nearly 20 million individuals newly insured. Most of these individuals were able to enroll in coverage offered through the Medicaid program, their employer, or the individual market as a result of coverage programs and insurance market reforms authorized by the Affordable Care Act (ACA).

Impact of Coverage

Enrollment in coverage supports the health and well-being of individuals and communities. Studies confirm that coverage improves access to care; supports positive health outcomes, including an individual's sense of their own health and well-being; incentivizes appropriate use of health care resources; and reduces financial strain on individuals, families and communities. A list of resources can be found on page 4.

In particular, recent studies that evaluated changes in states that expanded Medicaid compared to those that didn't underscore the value of coverage.[1]

Sources of Health Coverage, 2018

Source: U.S. Census Bureau. "Health Insurance Coverage in the United States: 2018; Current Population Reports," Sept. 2019.

U.S. Coverage Status, 1997-2018

Source: NCHS, National Health Interview Survey, 1997–2018, Family Core component. Note: Data are based on household interviews of a sample of the civilian noninstitutionalized population.

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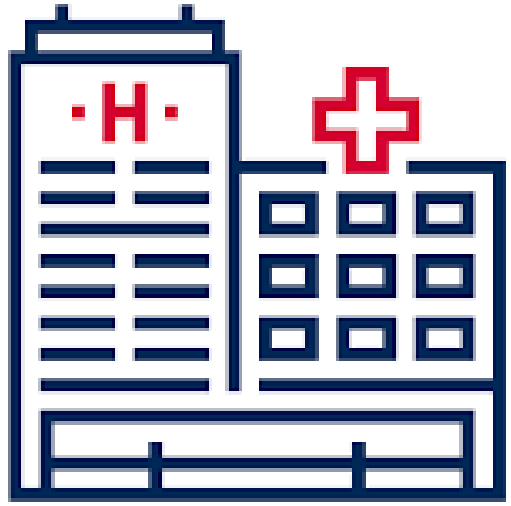
What Is Site-Neutral Payment?

In Theory

- “Site-neutral payment” reimburses providers same amount for same service, despite the setting
- Primary proposals around outpatient hospital – physician office and ASCs



In Practice

- Services (and care) not the same
- Settings have critical differences that must be maintained

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Cuts Endanger 24/7 Services

- Hospitals provide 24/7 emergency care regardless of ability to pay
- They provide standby capability and disaster response
- No explicit funding for this safety net role

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Cut Endanger Add'l Services and Standards

- BICU, NICU
- Ventilation and infection control
- Disaster drills

Given Their Unique Role, Hospitals Are Held to Higher Standards than Ambulatory Surgery Centers and Physician Offices

Regulatory Requirements/Roles	Hospital Outpatient Department	Ambulatory Surgery Center	Physician Office
24/7 Standby Capacity for ED Services	✓		
Backup for Complications Occurring in Other Settings	✓		
EMTALA	✓		
Uncompensated Care/Safety Net	✓		
Teaching/Graduate Medical Education	✓		
Special Capabilities (burn, trauma, neonatal, psychiatric services, etc.)	✓		
Required Government Cost Reports	✓		
Equipment Redundancy Requirements	✓		
Disaster Preparedness and Response	✓	✓	
Annual Hazard Vulnerability Analysis	✓	✓	
Stringent Ventilation Requirements and Infection Control Codes	✓	✓	
Fire and Life Safety Codes (NFPA 101)	✓	✓	
Essential Electrical System (NFPA 99)	✓	✓	
Evacuation and Relocation and Quarterly Fire Drills	✓	✓	
Infection Control Program	✓	✓	
Quality Assurance Program	✓	✓	
Joint Commission Accreditation	✓	✓	

None of these roles are specifically funded. Instead, hospitals must cover the costs of complying with these requirements through their direct patient care revenue.

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Care Is Not Equivalent

- MRI: Tale of Two Patients
- OB Ultrasound: Tale of Two Settings
- Infusion Therapy: Tale of Two Standards of Care

	REQUIREMENTS	HOSPITAL	PHYSICIAN OFFICE	FREE-STANDING SITE
SAFE PREPARATION	Clean room with positive air pressure to prevent microbial contamination	✓	✗	✗
	Environmental sampling to ensure sterile conditions	✓	✗	✗
	Drug preparation supervised by a licensed pharmacist	✓	✗	✗
	Employee protections from exposure to hazardous drugs	✓	✗	✗
	Drug Supply Chain Security Act rules prevent use of counterfeit or mishandled drugs	✓	✗	✗
SAFE ADMINISTRATION	Drug barcoding and EHR integration reduce administration errors	✓	✗	✗
	Hospital pharmacist confirms safe dosing and checks for drug-drug interactions	✓	✗	✗
	On-site physician for prompt response to adverse reactions	✓	✓	✗
CARE COORDINATION	On-site pharmacy prevents delays accessing medication	✓	✗	✗
	On-site pharmacy can modify dosing on day of infusion based on therapeutic needs	✓	✗	✗
	Provides care for the most complex patients	✓	✗	✗
	Provides access to care 24 hours per day	✓	✗	✗
	Provides care to uninsured and underinsured patients	✓	✗	✗
SAFETY OVERSIGHT	Food and Drug Administration, state boards of pharmacy, U.S. Pharmacopeia, and The Joint Commission	✓	✗	✗

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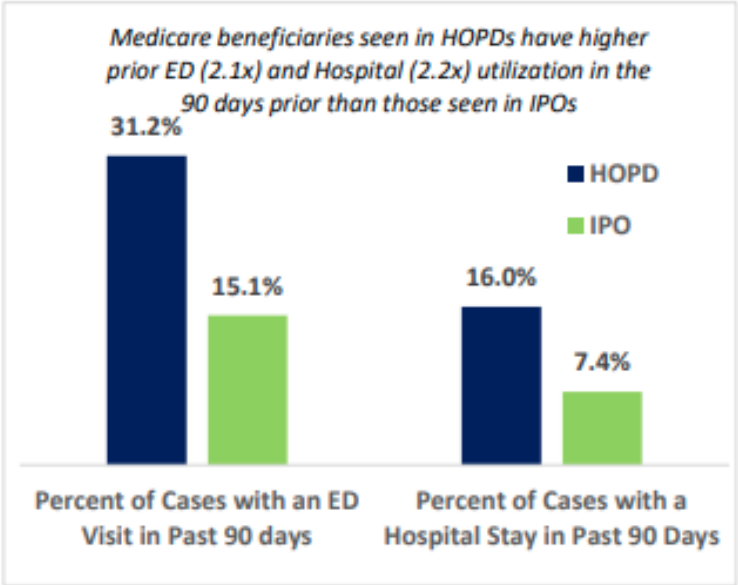
Services Not Otherwise Available

- Hospitals provide services not otherwise available to ***historically marginalized and low income*** patients
- Relative to beneficiaries in physician offices, beneficiaries in hospital outpatient departments are:
  - 73% more likely dually eligible
  - 52% more likely enrolled in Medicare through disability/ESRD
  - 31% more likely to be non-white
  - 11% more likely to be over 85 years old

Figure 4. Share of Beneficiaries with ED or Hospital Stay within Prior 90 Days By HOPD and IPO, 2019-2021



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Services Not Otherwise Available

- Hospitals provide services not otherwise available for ***medically complex*** patients
- Relative to beneficiaries with cancer in physician offices, beneficiaries with cancer in hospital outpatient departments are:
  - 123% more likely dually eligible
  - 84% more likely enrolled in Medicare through disability/ESRD
  - 81% more likely to be non-white

Text Box: Cancer Cohort

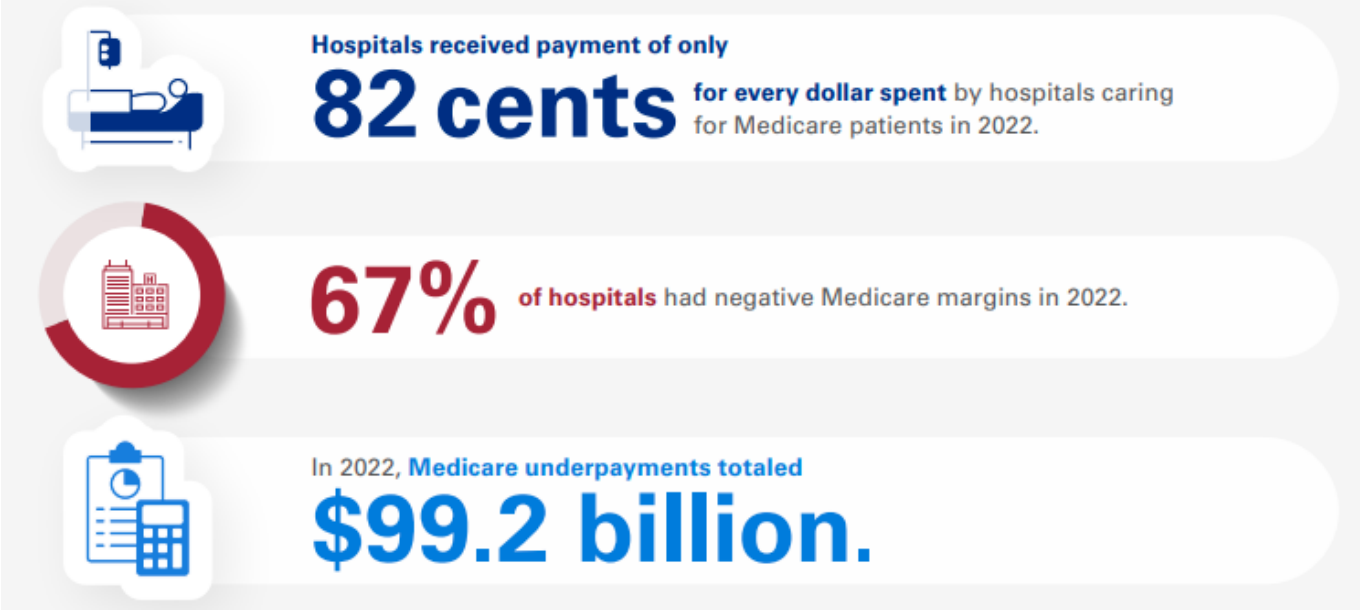
Medicare beneficiaries with cancer were roughly four times more likely to seek ambulatory care in an HOPD as compared to an IPO. We conducted a sub-analysis for beneficiaries with cancer to assess whether similar patterns to the full HOPD/IPO cohort exist in this group. We found that:

- HOPDs serve a higher proportion of non-White cancer patients than IPOs (1.9 times more likely to be Hispanic and 2 times more likely to be Black).
- HOPDs serve a higher proportion of low-income cancer patients than IPOs (2.3 times more likely to be dual eligible and residing in counties where median incomes are $3,000 less than the national average).

Our findings on other demographic factors, and clinical and prior utilization factors were similar to findings for the overall HOPD/IPO cohort.

Cuts Jeopardize Access to Care

- Hospital Medicare margins hit record low
- MedPAC:
  - ➢*Negative* 12.7% in 2022
  - ➢*Negative* 13% in 2024



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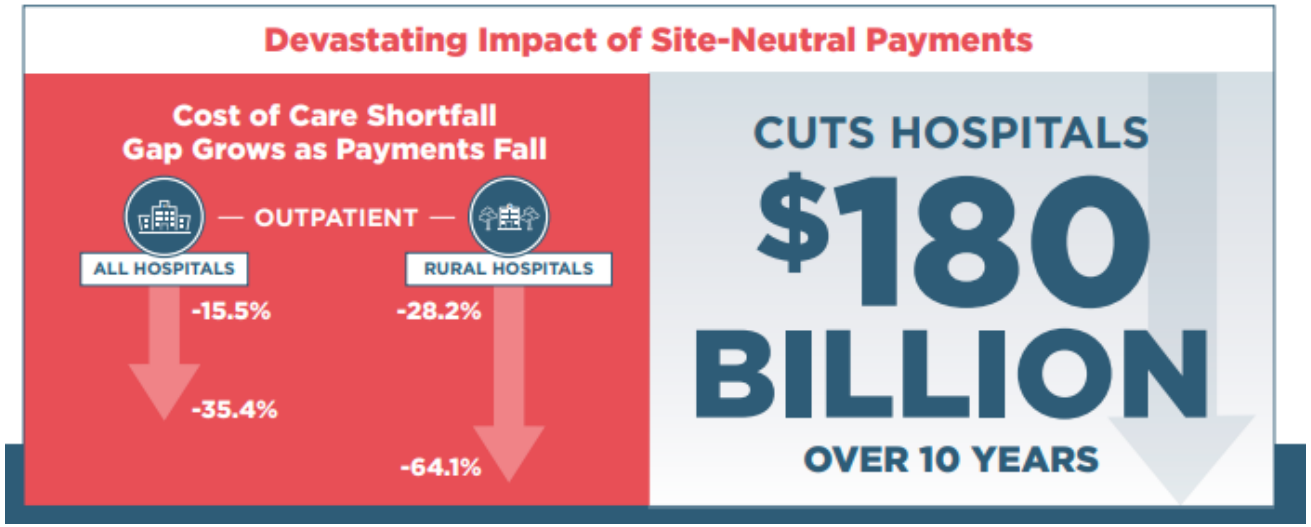
Cuts Jeopardize Access to Care

Public Payer Underpayments	• Medicare: $0.82 on the dollar ($99.2 billion shortfall) • Medicaid: $0.87 on the dollar ($31 billion shortfall)
Uninsured, Underinsured Uncompensated Care	• 8% uninsured (as high as ~17% in some states) • Hospitals report >50% charity care dedicated to underinsured in high deductible plans
Commercial Squeeze	• Growing rates of prior authorization and coverage denials • 50% of hospitals report $100M or more in AR >6 months • Site of service policies leaving only highest acuity patients in hospital/HOPD

Cuts Jeopardize Access to Care

- Site-neutral cuts would make these negative margins even worse
  - Especially worse for small, rural hospitals
- Some proposals would siphon $180 billion out of hospitals' health care over 10 years



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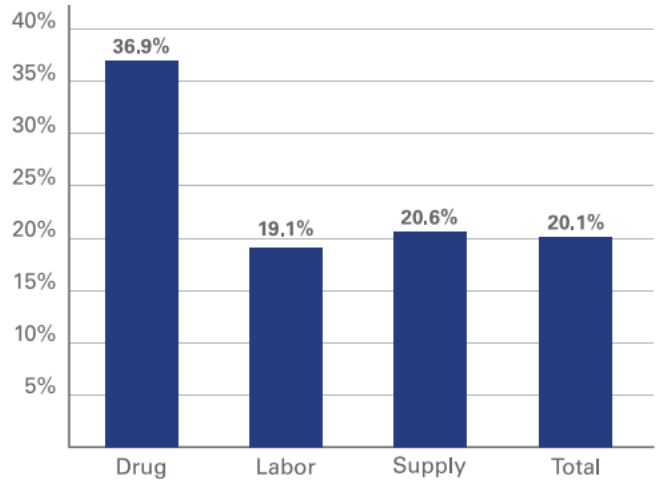
State-level Cuts Staggering

- Arkansas: $11.4 million
- California: $314.2 million
- Connecticut: $86.3 million
- Florida: $203.6 million
- Kansas: $81.3 million
- Michigan: $143.9 million
- Minnesota: $58.1 million
- North Carolina: $117.9 million
- North Dakota: $46.7 million
- New York: $694.2 million
- Ohio: $204.6 million
- South Carolina: $71.5 million
- Tennessee: $63.0 million
- Texas: $176.2 million
- Utah: $14.5 million

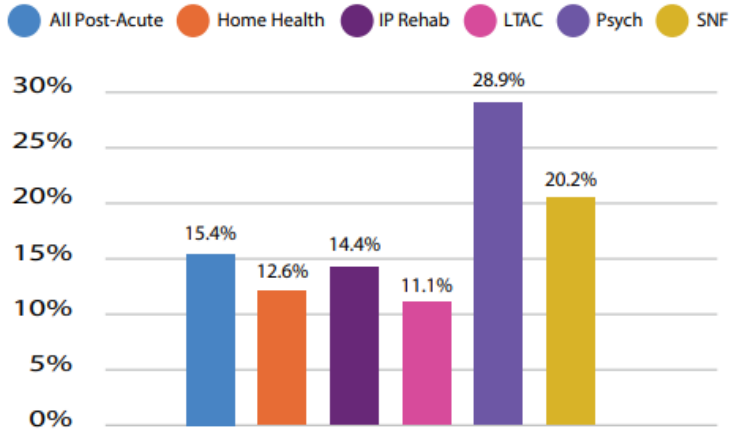
State	State Abbreviation	10-Year Dollar Impact	10-Year Percent Impact
United States	**U.S.**	**-$4.1 B**	**-0.33%**
Alaska	AK	-$2.1 M	-0.09%
Alabama	AL	-$41.2 M	-0.26%
Arkansas	AR	-$11.4 M	-0.08%
Arizona	AZ	-$32.1 M	-0.14%
California	CA	-$314.2 M	-0.26%
Colorado	CO	-$40.2 M	-0.23%
Connecticut	CT	-$86.3 M	-0.51%
District of Columbia	D.C.	-$221.2 K	-0.01%
Delaware	DE	-$18.5 M	-0.31%
Florida	FL	-$203.6 M	-0.32%
Georgia	GA	-$153.8 M	-0.45%
Hawaii	HI	-$782.6 K	-0.02%
Iowa	IA	-$23.2 M	-0.15%
Idaho	ID	-$45.8 M	-0.54%
Illinois	IL	-$153.0 M	-0.28%
Indiana	IN	-$92.0 M	-0.29%
Kansas	KS	-$81.3 M	-0.52%
Kentucky	KY	-$60.9 M	-0.28%
Louisiana	LA	-$9.0 M	-0.05%
Massachusetts	MA	-$211.2 M	-0.41%
Maine	ME	-$52.2 M	-0.73%
Michigan	MI	-$143.9 M	-0.38%
Minnesota	MN	-$58.1 M	-0.24%
Missouri	MO	-$54.8 M	-0.18%
Mississippi	MS	-$43.2 M	-0.28%
Montana	MT	-$3.4 M	-0.04%
North Carolina	NC	-$117.9 M	-0.26%
North Dakota	ND	-$46.7 M	-0.60%
Nebraska	NE	-$15.9 M	-0.16%
New Hampshire	NH	-$11.4 M	-0.12%

Meanwhile: Hospital Costs Are Rising

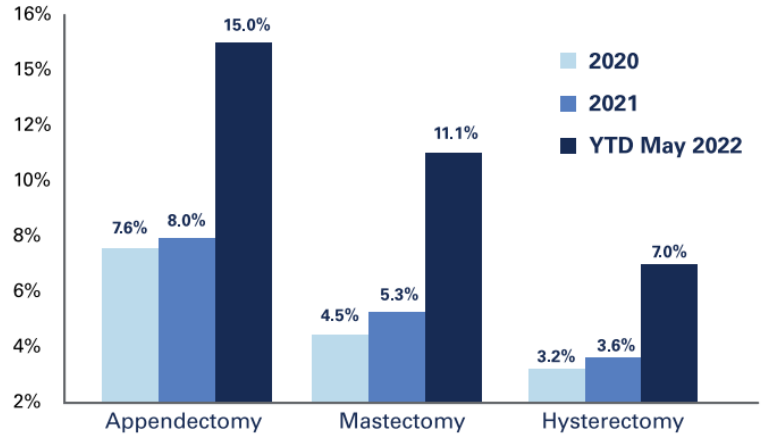
Hospital Input Costs 2019-2022



Patient Length of Stay 2019-2022



Patient Acuity 2020-2022



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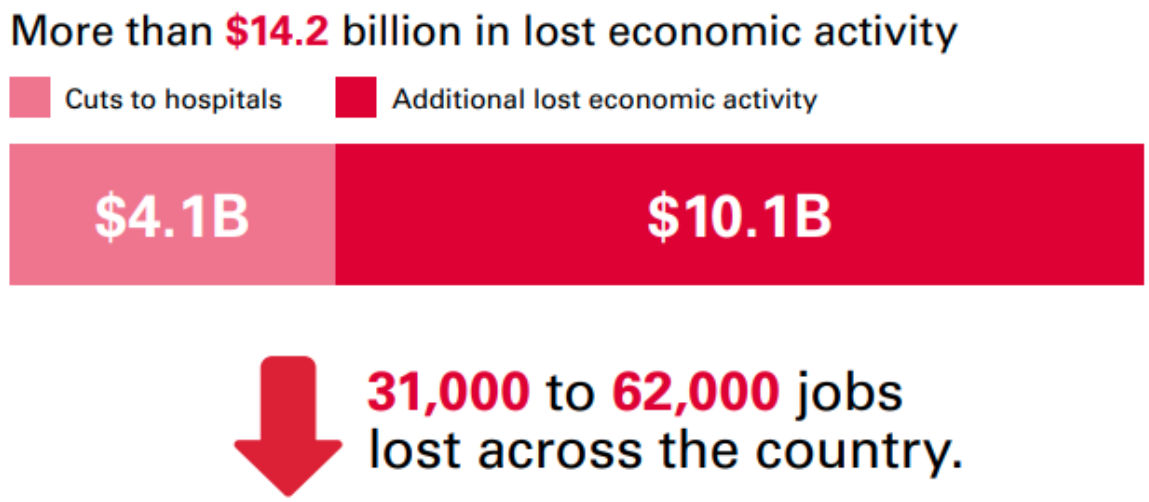
Negative Impacts on Broader Community

- Cuts not only reduce access to care, but also negatively impact economic activity hospitals create
  - Jobs supported
  - Services purchased from local businesses
- Every dollar hospital spends generates $2.44 in business activity



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Conclusions

Site-neutral payment policies expand a growing gap in reimbursement, driven by chronic public payer underpayments, the uninsured/underinsured, and increasing squeeze by commercial payers.

Efforts to remove a critical funding source without adequate planning for the consequences may result in hospitals' inability to provide the full scope of comprehensive care on which their communities rely.

This will be particularly true for rural, underserved communities.

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