LUGPA
Integrated Practices Comprehensive Care

Site Neutral Payments:

Leveling the playing field between independent practices and hospitals

In Medicare, hospitals and physicians are paid under two separate and fundamentally unrelated fee schedules, but hospitals have generally been paid more for performing services identical to those performed in physician offices. For example:

- One study found Medicare paid hospitals **$1.8 billion more** for routine evaluation and management (E&M) services provided by their employed physicians than comparable independent physician office rates in 2015.[1]
- A second study found Medicare spent **$2.7 billion more** for four services by hospital employed physicians from 2012 – 2015.[2]

Recently, there has been a substantial increase in physician practice acquisition by hospitals. In fact, the number of hospital-employed physicians grew by 14,000 nationwide from 2015 to 2016.[3] This trend has resulted in increased costs to Medicare and commercial payers:

- Hospital-owned organizations incurred **10 percent higher** expenditures than physician-owned organizations for professional, hospital, laboratory, pharmaceutical, and ancillary services.[4]
- Outpatient costs increased for hospital-acquired physician practices by **$500 million** from 2008 to 2012 in metropolitan areas.[5] It is worth noting that this study only assessed CPT codes, meaning the total cost differential is likely much greater.

Why does this matter to LUGPA members?

For years, LUGPA has made the case to policymakers that independent physician practices can deliver high-quality healthcare more efficiently than hospitals. Yet, policies continue to provide advantages to hospital systems over independent physician practices. This includes payment rules providing differential reimbursement for identical services and hospital-led accountable care organizations, which were provided waivers from the Stark self-referral law and other fraud and abuse statutes. Persistent payment inequities between physician hospitals and physician offices — for example, radiation therapy treatment and drug administration treatment increase Medicare spending and make it difficult for physicians to compete with hospitals providing identical services. LUGPA will continue to support efforts to close this payment gap and work towards true site neutrality between hospitals and physician practices.

Hospitals vs. Independent Physician Practices

Patients undergoing outpatient procedures have multiple options to access healthcare. The main facility-based options for patients fall into two categories:

Hospital Outpatient Departments (HOPD)

- Facilities are owned by hospitals and can function within hospitals or at off-campus locations
- Paid under the Outpatient Prospective Payment System (OPPS)

LUGPA Member Practices

- Physician-owned and function as free-standing businesses
- Paid under the physician fee schedule, which is ultimately less than hospital outpatient department (HOPD) payment rates
- Fully identify Medicare Physician Fee Schedule (MPFS)

LUGPA member practices are paid under the **physician fee schedule** for their professional services, but many groups also own and operate ambulatory surgical centers (ASCs). Facility fees for ASCs average 49 percent of HOPD fees for the identical services.

Recent Reforms to Site Neutrality

Bipartisan Budget Act of 2015, Section 603

The Bipartisan Budget Act of 2015, makes it less attractive for hospitals to acquire physician practices and ASCs because services provided at off-campus facilities acquired after the date of enactment (November 2, 2015) would be paid about half of the OPPS rate for acquired ASCs and the physician office rate for acquired physician practices. This new payment policy became effective January 1, 2017. Subsequent legislation in the 21st Century Cures Act provided a grandfather clause for some acquisitions that were in process at time of enactment of the BBA 2015.

Why is this important?

Over the past few years, hospitals have deployed a merger and acquisition approach that has caused alarm across the industry.

- From 2012 to 2016, the percentage of hospital-employed physicians increased **63 percent**.[3]
- By mid-2015, **one in four** physician practices was hospital-owned.[3]
- In the second quarter of 2017 alone, hospital acquisitions surged by **15 percent**.[6]

Multiple studies have shown that consolidation in the market increases prices and reduces options for purchasers of health services, which includes individual patients, self-insured businesses, insurers and government programs. Even worse, less competition has also been shown to affect care quality. For example, Medicare beneficiaries who experienced a heart attack were more likely to die within one year of treatment if they were treated by a hospital that faced few potential competitors, compared to patients in the most competitive areas.[7]

Congress Can Address this Problem

1. By building on site-of-service reforms, so that Medicare pays the same amount for the identical service regardless of where it is performed or when a practice was acquired.
2. By promoting reform of the Stark self-referral laws to allow more coordination of care by physician practices and strengthen integrated practices as an important competitive counterweight to mega-hospital systems.
3. By pushing for reform of the 340B drug discount program so that it benefits uninsured and indigent patients, not mega-hospital systems.
4. By providing more aggressive FTC enforcement of anti-competitive provider mergers and acquisitions.

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About LUGPA

LUGPA is a trade Association that represents independent urology group practices in the U.S., with more than 2,300 physicians who make up more than 25 percent of the nation's practicing urologists, and provide more than 30 percent of the total urologic care in the U.S. The Association is committed to providing the best resources and information for its member practices through advocacy, research, data collection and benchmarking efforts. LUGPA advocates for independent urology practices by promoting quality clinical outcomes, fostering new opportunities and improving advocacy in the legislative and regulatory arenas. For more information, visit **lugpa.org**.