

# HealthLeaders

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## Hospitals Should Be Bracing for Site-Neutral Payments

*Even if the Trump administration were to delay its proposed site-neutral payments policy for outpatient facilities another year or longer, the political debate isn't going away.*

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### KEY TAKEAWAYS

- Prominent hospital groups have said the rule, as proposed, would be illegal.
- Lawmakers from both sides of the aisle in both chambers of Congress have voiced opposition.
- Hospitals should do their long-term budgeting and strategizing with site-neutrality in mind.

A controversial proposal to cut reimbursement rates for hospital outpatient departments could be finalized this week if the Centers for Medicare & Medicaid Services hits its target date to publish the final rule.

The proposed change to the Outpatient Prospective Payment System (OPPS) and Ambulatory Surgical Center (ASC) Payment System unveiled last July has drawn criticism from the American Hospital Association (AHA), America's Essential Hospitals (AEH), lawmakers in both houses of Congress, and others who contend the so-called "site-neutral" payment policies fail to account for the added burden hospital-owned facilities shoulder.

Both AHA and AEH said in formal comments last month that the OPPS/ASC proposal for 2019 appears to be illegal. And lawmakers raised related concerns in two separate letters to CMS Administrator Seema Verma, suggesting the proposal flouts congressional intent.

A bipartisan group of 48 senators signed a letter last month urging CMS to rethink its approach, and a bipartisan group of 138 representatives followed suit this month with a letter of their own.

The political pressure could very well leave an imprint on the final version of the rule, which has been under review by the Office of Management and Budget since October 10. A spokesperson for CMS told *HealthLeaders* that the agency would not speculate on the potential outcome of the review process, reiterating the agency's plan to publish the final version on or about Thursday, November 1.

**But even if the Trump administration were to postpone the site-neutral payments policy another year or longer, hospitals should still be preparing for site-neutrality, since this political debate will play itself out over the next several years one way or another, says Greg Hagood, a senior managing director with the financial advisory firm SOLIC Capital.**

**That preparation for site-neutrality should include an ambulatory strategy with investments in outpatient settings, Hagood said, with a word of caution for hospitals and health systems.**

**"I think they need to do their budgeting, though, with an eye toward the fact that certain areas that have historically been anchors to the hospital – whether that's the emergency room, cardiac care, or some of these hospital outpatient departments – are likely to see diminished margins," he said.**

**Basing a budget around more-conservative revenue estimates for these service lines could prompt hospitals to rationalize their cost structures or even adjust their infrastructure, such as by reducing their number of clinics or inpatient beds, Hagood said.**

Although the concept of site-neutrality "makes a ton of sense" on the surface, there's also a complex history in how American reimbursement models have evolved over the past few decades, and hospitals provide expensive services that other outpatient facilities often don't, such as indigent care, Hagood said. Switching to a site-neutral system would have "a very economically disruptive impact on a lot of large health systems," he added.

The debate gains another layer of intrigue when you consider how any action taken by lawmakers will be perceived by their constituents.

"If you want to make a congressman vulnerable," Hagood said, "you'll say he was supportive of a policy that results in a closure of a hospital in your district."

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