



## Talking Points: Medicare Hospital Outpatient Payments for Evaluation and Management Services (E&M)

### Background

On Jan. 12, the Medicare Payment and Advisory Commission (MedPAC) endorsed a recommendation to reduce overall Medicare hospital outpatient payments for evaluation and management (E&M) services – lowering them to the equivalent payment rate for physicians. MedPAC is concerned about the overall rise in Medicare payments for ambulatory care (more services are being delivered in hospital-based clinics – a more expensive setting – than freestanding physician offices), and therefore believes hospitals are acquiring physician practices mainly to receive the higher Medicare payment rates. The cuts would be phased in over a 3-year period.

MedPAC attempted to recognize the unique work of safety net health systems by limiting the cuts for a small number of safety net hospitals. Namely, hospitals with a Medicare disproportionate share patient percentage of 25 percent or greater would have their cuts limited to 2 percent of all Medicare revenue. However, this stop loss protection is inadequate in both the number of hospitals it would seek to help and the degree of protection.

### Reductions to E&M Payments Disproportionately Affect Low-Income Beneficiaries

- Reductions in E&M payments would negatively impact the safety net hospitals that serve the most vulnerable patients, including those dually eligible for Medicare and Medicaid, who rely on safety net hospitals for critical primary and specialty care.
- The services offered at NAPH member hospital-based clinics are more comprehensive than those offered at freestanding physician offices. And these hospital-based clinics often serve patients with more medically and socially complex needs.
- NAPH members have made significant investments in expanding their outpatient presence both in hospital outpatient departments and in the communities they serve. Safety net hospitals are major providers of outpatient specialty care — including on-campus hospital clinics, community clinics, and mobile units — an area markedly under-resourced in the nation's health care safety net.
- NAPH members have reported that they would stand to lose millions of dollars per year should MedPAC's proposal go into effect. The resulting loss in revenue may directly cause some hospitals to shut down clinics and would chill the necessary expansion of access in low-income areas.

### NAPH Urges Congress to Reject the MedPAC Proposal Pending Further Analysis

- MedPAC has done no analysis on the impact of the payment cut on access to care – only advising Congress that such an analysis should take place by 2015. NAPH strongly urges Congress to require such an analysis be conducted before these harmful cuts are enacted. The analysis should particularly investigate how this payment change affects access for low-income populations. NAPH believes that policy changes to hospital outpatient clinic payment rates must promote adequate access for all Medicare patients, including those dually eligible for Medicare and Medicaid.