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Fact Sheet: Medicare Site-neutral Legislative Proposals Under Consideration Would Jeopardize Access to Care for Patients and Communities

The Issue

Congress is considering several bills that would impose additional site-neutral payment reductions for services provided in hospital outpatient departments (HOPDs). A description of these bills, AHA's take on the proposals and the potential impact these proposals would have on Medicare reimbursement to hospitals and health systems follow.

Legislative Proposals

- The PATIENT Act of 2023 (H.R. 3561), passed by the Energy and Commerce Committee, and the Healthcare Price Transparency Act (H.R. 4822), passed by the House Ways and Means Committee, both contain provisions that would cut drug administration services at off-campus HOPDs. Starting in 2025, and phased in over four years, drug administration services furnished in grandfathered off-campus HOPDs would be paid at a site-neutral rate (H.R. 4822 would delay implementation for certain rural and cancer hospitals by one year). The site-neutral rate is expected to be the same as the current site-neutral rate of 40% of the outpatient prospective payment system (OPPS) rate. **According to an AHA analysis, H.R. 3561 would result in a cut to hospitals of $4.1 billion over 10 years.**[1]
- The Site-based Invoicing and Transparency Enhancement (SITE) Act (S. 1869) would impose site-neutral payment cuts for items and services in grandfathered off-campus HOPDs. Starting in 2025, all services furnished in grandfathered off-campus HOPDs, other than evaluation and management (E&M) services, which are already paid at a site-neutral rate, would be subject to site-neutral payment. This would include off-campus HOPDs and some items and services that Congress had previously exempted from site-neutral payment under Medicare, including dedicated emergency departments and Centers for Medicare & Medicaid Services approved "mid-build" off-campus PBDs. **This proposal would result in a cut to hospitals of $34.3 billion over 10 years.**
- The Medicare Patient Access to Cancer Treatment (MPACT) Act (H.R. 4473) would create site-neutral payment cuts to services related to cancer diagnosis and treatment at off-campus HOPDs beginning in 2025. **This would result in a cut to hospitals of $11.8 billion over 10 years.**

  View the tables at the end of this document for additional information that includes national and state-level impact estimates.

AHA Take

The AHA strongly opposes site-neutral payment cuts, which would reduce access to critical health care services, especially in rural and other underserved areas. These bills would expand existing site-neutral payment cuts, which have already had a significantly negative impact on the financial sustainability of hospitals and health systems and have contributed to Medicare's chronic failure to cover the cost of caring for its beneficiaries. Site-neutral policies ignore fundamental differences between HOPDs and other outpatient care settings. Hospitals and health systems provide unique benefits to their community like 24/7 standby capacity for emergencies and special service capabilities such as burn, neonatal, psychiatric services, and more. HOPDs also are required to comply with more regulatory and safety codes and care for sicker, more complex patients than other care settings.

Expanding site-neutral cuts would endanger the critical role hospitals and health systems play in their communities, including access to care for patients.

Endnote:

[1] CBO calculated its cost estimate of $3.8 billion for the period 2023-2033. However, since the proposed cuts start in 2025, CBO's estimates for 2023 and 2024 are zero, hence the $3.8 billion value is misleading. Summing CBO's own estimates starting in 2025 instead, would yield a much higher estimate of about $4.7 billion. AHA conservatively estimated the 10-year impact at $4.1 billion; using CBO's inflators implied in its cost estimate would yield an even higher number.

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Estimated Impact Analysis of Site-neutral Provisions in the PATIENT Act of 2023 (H.R. 3561)

The PATIENT Act of 2023 (H.R. 3561) and Healthcare Price Transparency Act (H.R. 4822): Starting in 2025, and phased in over four years, drug administration services furnished in off-campus provider-based departments would be paid at a site-neutral rate. H.R. 4822 would delay implementation by one year for certain rural and cancer hospitals.

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%

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State	State Abbreviation	10-Year Dollar Impact	10-Year Percent Impact
New Jersey	NJ	-$57.5 M	-0.18%
New Mexico	NM	-$33.0 M	-0.51%
Nevada	NV	-$1.3 M	-0.02%
New York	NY	-$694.2 M	-0.90%
Ohio	OH	-$204.6 M	-0.40%
Oklahoma	OK	-$28.1 M	-0.14%
Oregon	OR	-$9.3 M	-0.07%
Pennsylvania	PA	-$155.7 M	-0.26%
Rhode Island	RI	-$32.6 M	-0.84%
South Carolina	SC	-$71.5 M	-0.33%
South Dakota	SD	-$8.4 M	-0.09%
Tennessee	TN	-$63.0 M	-0.25%
Texas	TX	-$176.2 M	-0.26%
Utah	UT	-$14.5 M	-0.14%
Virginia	VA	-$119.2 M	-0.33%
Vermont	VT	-$9.9 M	-0.24%
Washington	WA	-$213.9 M	-0.68%
Wisconsin	WI	-$113.8 M	-0.40%
West Virginia	WV	-$2.2 M	-0.02%

Sources: Centers for Medicare & Medicaid Services, calendar year (CY) 2021 outpatient prospective payment system (OPPS) final rule rate-setting and outpatient standard analytical files; CY 2023 OPPS final rule and associated public use files; Congressional Budget Office (CBO) May 2022 Medicare Baseline.

Notes:

1. H.R. 3561 calls for off-campus grandfathered drug administration services to be cut starting in 2025. It defines them as those that are assigned to designated ambulatory payment classification (APC) groups. While it does not explicitly list the APCs, an AHA coding expert identified four drug administration APCs: 5691-5694. Hence, we used these APCs in our modeling.
2. We estimated the site-neutral payment rate to be 40 percent of the OPPS payment rate i.e., a reduction of 60 percent.
3. Since H.R. 3561 calls for a 4-year transition period, we assumed that cuts would result in 25% of the full impact in 2025, 50% in 2026, 75% in 2027 and 100% (full implementation) in 2028 and beyond. It is possible that CMS could adopt a different schedule for the transition period.
4. Wyoming and Puerto Rico did not report any lines for off-campus grandfathered drug administration services in the claims data and are not shown in the table. States with very low impacts are shown in the table but have very few reported off-campus grandfathered drug administration services.
5. We modeled OPPS payments using CY 2021 data files and CY 2023 final rule policies. Payments were inflated to 2025 and through 2034 using CBO's projections of payments for hospital outpatient services contained in their May 2022 Medicare baseline.

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Estimated Impact Analysis for the SITE Act (S.1869)

The SITE Act (S. 1869) would impose site-neutral payment cuts for items and services in grandfathered off-campus HOPDs. Starting in 2025, all services furnished in grandfathered off-campus HOPDs, other than evaluation and management (E&M) services, which are already paid at a site-neutral rate, would be subject to site-neutral payment. This would include off-campus HOPDs and some items and services that Congress had previously exempted from site-neutral payment under Medicare, including dedicated emergency departments and CMS-approved "mid-build" off-campus provider-based departments.

State	State Abbreviation	10-Year Dollar Impact	10-Year Percent Impact
United States	**U.S.**	**-$34.3 B**	**-2.7%**
Alaska	AK	-$12.6 M	-0.5%
Alabama	AL	-$294.9 M	-1.8%
Arkansas	AR	-$341.5 M	-2.3%
Arizona	AZ	-$205.2 M	-0.9%
California	CA	-$2.3 B	-2.0%
Colorado	CO	-$353.4 M	-2.0%
Connecticut	CT	-$1.0 B	-6.1%
District of Columbia	D.C.	-$27.2 M	-0.6%
Delaware	DE	-$362.8 M	-6.0%
Florida	FL	-$1.9 B	-3.0%
Georgia	GA	-$824.3 M	-2.4%
Hawaii	HI	-$32.5 M	-0.9%
Iowa	IA	-$422.3 M	-2.7%
Idaho	ID	-$338.9 M	-4.0%
Illinois	IL	-$1.2 B	-2.1%
Indiana	IN	-$868.6 M	-2.8%
Kansas	KS	-$426.3 M	-2.7%
Kentucky	KY	-$509.7 M	-2.3%
Louisiana	LA	-$228.6 M	-1.2%
Massachusetts	MA	-$1.4 B	-2.7%
Maine	ME	-$463.8 M	-6.5%
Michigan	MI	-$1.4 B	-3.8%
Minnesota	MN	-$558.4 M	-2.3%
Missouri	MO	-$816.0 M	-2.7%
Mississippi	MS	-$263.9 M	-1.7%
Montana	MT	-$97.1 M	-1.2%
North Carolina	NC	-$1.5 B	-3.4%
North Dakota	ND	-$481.7 M	-6.2%
Nebraska	NE	-$131.9 M	-1.4%
New Hampshire	NH	-$259.0 M	-2.8%

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State	State Abbreviation	10-Year Dollar Impact	10-Year Percent Impact
New Jersey	NJ	-$902.3 M	-2.8%
New Mexico	NM	-$276.9 M	-4.3%
Nevada	NV	-$120.4 M	-2.0%
New York	NY	-$2.9 B	-3.7%
Ohio	OH	-$2.4 B	-4.6%
Oklahoma	OK	-$469.6 M	-2.4%
Oregon	OR	-$104.3 M	-0.7%
Pennsylvania	PA	-$2.0 B	-3.4%
Rhode Island	RI	-$127.3 M	-3.3%
South Carolina	SC	-$592.3 M	-2.7%
South Dakota	SD	-$188.7 M	-1.9%
Tennessee	TN	-$483.6 M	-1.9%
Texas	TX	-$1.5 B	-2.2%
Utah	UT	-$193.5 M	-1.9%
Virginia	VA	-$1.1 B	-3.1%
Vermont	VT	-$89.7 M	-2.2%
Washington	WA	-$824.0 M	-2.6%
Wisconsin	WI	-$836.5 M	-2.9%
West Virginia	WV	-$112.2 M	-1.1%
Wyoming	WY	-$56.7 K	0.0%

Sources: Centers for Medicare & Medicaid Services, calendar year (CY) 2021 outpatient prospective payment system (OPPS) final rule rate-setting and outpatient standard analytical files; CY 2023 OPPS final rule and associated public use files; Congressional Budget Office (CBO), Medicare Baseline Projections, 2019-2022; MedPAC Report to the Congress: Medicare and the Health Care Delivery System, June 2018; Medicare fee-for-service claims, Centers for Medicare & Medicaid Services, Chronic Conditions Data Warehouse, www2.ccwdata.org/web/guest/home

Notes:

1. In AHA's modeling of the SITE Act, we did not model the impact of imposing site-neutral payment cuts to CMS-confirmed "mid-build" off-campus provider-based departments (PBDs) that Congress previously exempted from site-neutral payment under Medicare. Also, it is our understanding that the Act is not intended to apply to off-campus PBDs belonging to the 11 dedicated cancer hospitals, hence the impacts do not include any cuts to those PBDs.
2. The SITE Act would cut payment by 30% for items and services in off-campus dedicated emergency departments (EDs) that are located 6 or less miles from any other hospital, critical-access hospital (CAH) or rural emergency hospital (REH), including the parent hospital's ED. Since the Medicare claims data do not contain the necessary information to model this provision, we relied on a CBO score published in the June 2018 MedPAC Report to the Congress, with a projected national impact of $50 - $250 million due to a MedPAC-proposed 30% reduction in payments for services provided by urban off-campus EDs that are within 6 miles of an on-campus hospital ED. We conservatively took the midpoint of this range and inflated it to 2025 dollars using CBO's actual and projected payments contained in their Medicare baselines. Using data contained in outpatient fee-for-service claims billed by hospitals with the "ER" modifier (outpatient items and services furnished by a provider-based off-campus ED), we applied the estimated state shares to the estimated national total. Since the CBO score applies only to urban off-campus EDs within 6 miles of an on-campus hospital ED, but the SITE Act applies to all off-campus EDs within 6 miles of any other hospital, CAH, or REH, including the parent hospital of such ED, the CBO score is most probably an underestimate of the actual impact that would occur.
3. With the exception of the off-campus ED impact methodology mentioned in note 2, for all other off-campus grandfathered non-E&M services, we estimated the site-neutral payment rate to be 40 percent of the OPPS payment rate i.e., a reduction of 60 percent.
4. Puerto Rico did not report any lines for off-campus grandfathered non-E&M services in the claims data and is not shown in the table. States with very low impacts are shown in the table but have very few reported off-campus grandfathered non-E&M services.
5. We modeled OPPS payments using CY 2021 data files and CY 2023 final rule policies. Payments were inflated to 2025 and through 2034 using CBO's projections of payments for hospital outpatient services contained in their May 2022 Medicare baseline.

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Estimated Impact Analysis for the MPACT Act (H.R. 4473)

The MPACT Act (H.R. 4473) would create site-neutral payment cuts to services related to cancer diagnosis and treatment at off-campus HOPDs beginning in 2025.

State	State Abbreviation	10-Year Dollar Impact	10-Year Percent Impact
United States	**U.S.**	**-$11.8 B**	**-0.95%**
Alaska	AK	-$1.5 M	-0.06%
Alabama	AL	-$85.6 M	-0.53%
Arkansas	AR	-$33.1 M	-0.22%
Arizona	AZ	-$47.1 M	-0.20%
California	CA	-$833.1 M	-0.70%
Colorado	CO	-$139.6 M	-0.79%
Connecticut	CT	-$265.8 M	-1.58%
District of Columbia	D.C.	-$9.8 M	-0.22%
Delaware	DE	-$123.2 M	-2.03%
Florida	FL	-$561.2 M	-0.88%
Georgia	GA	-$318.2 M	-0.94%
Hawaii	HI	-$7.7 M	-0.21%
Iowa	IA	-$97.1 M	-0.62%
Idaho	ID	-$131.1 M	-1.54%
Illinois	IL	-$412.1 M	-0.75%
Indiana	IN	-$269.0 M	-0.85%
Kansas	KS	-$213.0 M	-1.37%
Kentucky	KY	-$140.4 M	-0.64%
Louisiana	LA	-$33.0 M	-0.17%
Massachusetts	MA	-$581.7 M	-1.13%
Maine	ME	-$152.0 M	-2.12%
Michigan	MI	-$316.9 M	-0.83%
Minnesota	MN	-$132.9 M	-0.56%
Missouri	MO	-$254.8 M	-0.85%
Mississippi	MS	-$91.8 M	-0.60%
Montana	MT	-$27.3 M	-0.33%
North Carolina	NC	-$323.3 M	-0.72%
North Dakota	ND	-$155.3 M	-1.98%
Nebraska	NE	-$46.3 M	-0.47%
New Hampshire	NH	-$71.1 M	-0.77%
New Jersey	NJ	-$227.0 M	-0.71%

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State	State Abbreviation	10-Year Dollar Impact	10-Year Percent Impact
New Mexico	NM	-$133.7 M	-2.08%
Nevada	NV	-$12.0 M	-0.20%
New York	NY	-$1.9 B	-2.52%
Ohio	OH	-$569.0 M	-1.11%
Oklahoma	OK	-$186.9 M	-0.96%
Oregon	OR	-$23.0 M	-0.17%
Pennsylvania	PA	-$584.1 M	-0.99%
Rhode Island	RI	-$42.5 M	-1.10%
South Carolina	SC	-$194.6 M	-0.89%
South Dakota	SD	-$51.8 M	-0.53%
Tennessee	TN	-$178.1 M	-0.71%
Texas	TX	-$620.0 M	-0.91%
Utah	UT	-$39.9 M	-0.40%
Virginia	VA	-$315.7 M	-0.88%
Vermont	VT	-$5.1 M	-0.13%
Washington	WA	-$455.8 M	-1.45%
Wisconsin	WI	-$342.7 M	-1.21%
West Virginia	WV	-$40.2 M	-0.41%

Sources: Centers for Medicare & Medicaid Services, calendar year (CY) 2021 outpatient prospective payment system (OPPS) final rule rate-setting and outpatient standard analytical files; CY 2023 OPPS final rule and associated public use files; Congressional Budget Office (CBO) May 2022 Medicare Baseline; Medicare Payment Advisory Commission (MedPAC), "Report to the Congress: Medicare and the Health Care Delivery System," June 2022; MedPAC public meeting transcripts and presentations.

Notes:

1. The bill defines cancer care services as those "that are furnished in conjunction with the diagnosis or treatment of cancer." However, it does not specifically identify which diagnosis or treatment codes constitute cancer care services, but instead allows the Secretary to specify what these services will be. Therefore, for our modeling purposes, in the absence of a defined list, an AHA coding expert identified which cancer care services might be subject to the reductions, based on ICD-10-CM neoplasm codes ("cancer diagnosis") and/or HCPCS CPT codes that are cancer treatment/cancer-related drug administration procedure codes ("cancer treatment").
2. Since the bill indicates that all services furnished in conjunction with the diagnosis or treatment of cancer will be subject to the reductions, if any claim contained a cancer diagnosis or treatment code identified by our coding expert, we assumed that those claims would be paid at the site-neutral rate.
3. We estimated the site-neutral payment rate to be 40 percent of the OPPS payment rate i.e., a reduction of 60 percent.
4. The bill also does not specify which providers would be subject to the reductions. Per communication with Congressional staff, it is our understanding that the bill is intended to apply only to off-campus provider-based hospital outpatient departments (HOPDs). In the absence of more specifics, we included all items and services reported with the following modifiers.
    - PO: all excepted items and services furnished in an excepted provider-based off-campus HOPD; &
    - ER: outpatient items and services furnished by a provider-based off-campus emergency department (ED).
5. Since the bill does not explicitly exclude the 11 dedicated cancer hospitals, the impacts include the items and services furnished in their off-campus departments (HOPD and ED).
6. Wyoming and Puerto Rico reported very low counts of cancer care services with a PO or ER modifier and hence are not shown in the table, since the cumulative 10-year impact was less than $10,000.
7. We modeled OPPS payments using CY 2021 data files and CY 2023 final rule policies. Payments were inflated to 2025 and through 2034 using CBO's projections of payments for hospital outpatient services contained in their May 2022 Medicare baseline.