American Hospital Association

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Glenn M. Hackbarth, J.D.
64275 Hunnell Road
Bend, OR 97701

Dear Mr. Hackbarth:

The American Hospital Association (AHA) is extremely concerned that the Medicare Payment Advisory Commission (MedPAC) is considering broadening the application of its "site neutral" payment policy to hospital outpatient department (HOPD) services beyond its recommendation last year to cut payment for 10 Evaluation and Management services. Together, these two proposals would cut payment for HOPD services by more than $2 billion in a single year and represent deep cuts to routine outpatient services that are integral to the service mission of hospitals. According to MedPAC, HOPDs margins were already *negative* 9.6 percent in 2010. **The AHA strongly opposes the notion that the total amount of payment when a physician performs a service in an HOPD should be the same as when a physician performs the service in his or her office.**[i]

Hospitals are not physician offices and play a very different role in the communities they serve by providing a wide range of acute-care and diagnostic services, supporting public health needs, and offering myriad other services to promote the health and well-being of the community. While many of these services also are provided by other health care providers, three facts make the role of the hospital unique:

- **24/7 Access to Care:** The provision of health care services, including specialized resources, 24 hours a day, seven days a week (24/7), 365 days a year;

- **The Safety Net Role:** Caring for all patients who seek emergency care regardless of ability to pay; and

- **Disaster Readiness and Response:** Ensuring that staff and facilities are prepared to care for victims of large-scale accidents, natural disasters, epidemics and terrorist actions.

These critical roles, while often taken for granted, represent an essential component of our nation's health and public safety infrastructure.

Despite its importance, the standby role is not explicitly funded. Until a patient arrives with an emergency need, there is no payment for the staff and facility to be at the ready. Hospitals currently provide $39 billion of uncompensated care annually, and many physicians do not serve Medicaid and charity care patients.

The threat of terrorist attacks, recent mass shootings, the aftermath of Hurricane Katrina, and the devastating tornados over the past year have raised awareness of the need for disaster readiness, but federal support is still limited for hospitals. **Without explicit funding, the standby role is built into the cost structure of full-service hospitals and supported by revenue from direct patient care – a situation that does not exist for physician offices or any other type of provider.**

Hospitals today face challenges in maintaining this role, such as increasing demand, staffing and space constraints, greater expectations for preparedness, the erosion of financial support from government payers, and the loss of patients to other settings that do not have the added costs of fulfilling the standby role. **It is critical that MedPAC consider this unique role of hospitals before making additional recommendations to cut payment for HOPD services.**

We appreciate your consideration of this very important issue. If you have any questions, please feel free to contact me or Roslyne Schulman, director for policy development, at (202) 626-2273 or rschulman@aha.org.

Sincerely,

/s/

Rick Pollack
Executive Vice President

Cc: Mark Miller, Ph.D.
MedPAC Commissioners

[i] Under MedPAC's proposal, hospitals would receive a residual overhead amount representing the difference between the physician fee schedule non-facility and facility payment rate. In some a cases, as in the laser eye surgery example, hospitals would be paid far less than what the physician would be receiving for overhead in his or her office.