

# Case Example

## Outpatient Evaluation & Management Services

### Oregon Health & Science University (OHSU)

#### THE ISSUE:

**Congress is considering a Medicare Payment Advisory Commission (MedPAC) recommendation that would cap “total” payment for non-emergency department evaluation and management (E/M) services in hospital outpatient departments (HOPDs) at the rate paid to physicians for providing the services in their private offices.** For example, for a visit coded as 99201, the physician would receive the standard amount for the service

in the hospital setting (\$25.87). The hospital would receive the difference between the physician payment in the office (\$42.55) and the physician payment in the hospital, or  $\$42.55 - \$25.87 = \$16.68$ .

This would reduce the hospital payment between 67 percent and 80 percent for 10 of the most common outpatient hospital services. This proposal is estimated to reduce Medicare spending by \$1 billion per year and \$7 billion over 10 years.

#### THE HOSPITAL STORY:

**Oregon Health & Science University (OHSU)** is a leading health and research university that strives for excellence in patient care, education, research and community service. Beyond providing critical health care services, quality education and cutting-edge research, OHSU also is a key economic and social force in the Northwest. With an annual operating budget of \$2.3 billion and nearly 14,000 employees, OHSU is Portland’s largest employer. Its size contributes to its ability to provide many services and community support activities not found anywhere else in Oregon. The 576-bed disproportionate share (DSH) hospital system includes more than 45 provider-based (hospital outpatient) clinics in 15 locations. Outpatient services cover a wide range of services, including neurology, neurosurgery, diabetes, oncology, internal medicine, family medicine and more. When combined, OHSU’s outpatient clinics provide more than 735,000 outpatient visits annually. The hospital-wide payer mix is approximately 31% Medicare, 20% Medicaid, 44% commercial insurance, and 5% non-sponsored.

In 2008, local physicians owned a private, multi-site oncology practice that could no longer remain financially viable, and they approached OHSU as a potential acquirer. OHSU acquired the practice, enabling the health system to continue its commitment to lead and advocate for programs that improve health for all Oregonians. Although it was likely that OHSU would subsidize the services, provider-based funding made acquisition of the five clinics a viable possibility, thus continuing access to much needed services for the populations served by OHSU.

To become provider-based clinics and meet legislative, regulatory and accreditation requirements associated with the designation, significant investments and changes to the oncology clinics were necessary. Two of the large costs were the conversion of the clinics to the OHSU electronic health record, and the use of pharmacists rather than nurses to dispense medications. After the initial information technology investment, the clinics became integrated with the rest of the OHSU system, enabling more streamlined and coordinated care for a wide variety of health care and social services.

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Because oncology care requires a significant use of complex medications, the Joint Commission requirement that pharmacists (rather than nurses) mix medications provides an extra level of safety for chemotherapy patients. However, due to the relatively small size of some of the clinics, employing a full-time pharmacist at each site was resource-intensive. After a year of working with the State of Oregon's Board of Pharmacy, OHSU was able to implement the state's first telepharmacy program. The program utilizes pharmacy technicians on-site, with pharmacists providing remote supervision and oversight.

In addition to seamless electronic health records within the OHSU system, and the assurance of a pharmacist overseeing medication preparation, patients receiving care at the oncology clinics now have access to the health system's charity care and financial assistance programs, including free and discounted care as well as support in applying for public assistance programs. In part because of this, the oncology practice payer mix has become less favorable for OHSU, changing from 47% Medicare and 5% Medicaid when it was first acquired, to 61% Medicare and 9% Medicaid in September 2012. Commercial payer payments have decreased from 47% to 27%.

OHSU's acquisition of the oncology clinics has also enabled a greater level of care coordination than oncology patients received in the past. Patients are able to easily move within the OHSU system to seek care from other specialists with a seamless medical record, integrated clinical faculty and have access to referrals and additional services that meet the social needs of families. In addition, the oncology clinics' affiliation with OHSU and the health system's National Cancer Institute (NCI) designated Knight Cancer Institute allows patients to have access to cutting edge research and care, including NCI funded clinical trials taking place at OHSU. In some cases, the cancer prevention and treatment regimens being studied are available nowhere else in Oregon.

Physicians now have an academic appointment at the university, are reimbursed at market rates for community oncologists, and have additional opportunities for professional development. This has provided greater stability to recruitment efforts, and eased some challenges associated with recruiting physicians for the more remote locations.

In 2011, provider-based billing for all OHSU outpatient clinics brought an additional \$8 million into the organization, 100% of which was passed back to the faculty practice plan to allow them to continue to provide quality access to critical community services. However, even with provider-based reimbursement, OHSU's outpatient clinics lose money. The community oncology clinics lose \$1.2 million annually. Two other outpatient clinics lose more than \$2 million each annually. This makes it increasingly difficult to reach as many patients in low-income areas as OHSU now does. Even with supplemental DSH payments, there is a limit to how much uncompensated care can be provided.

## THE IMPACT:

**Currently OHSU provides more than 735,000 outpatient visits annually at a hospital-level, Joint Commission-approved quality level of care. The system actively works with surrounding communities to offer services that would otherwise not be available, and as the state's only teaching facility, OHSU continues to support its teaching mission. If E/M payments for OHSU's outpatient clinics were cut, the organization would lose approximately \$4 million in payments annually. It would be increasingly difficult for outpatient clinics to take referrals for Medicare, Medicaid and self-pay patients even when OHSU is the only provider offering the service. The cuts are anticipated to reduce access to care, and place an additional strain on OHSU's teaching mission and commitment to the community.**