

Case Example

Outpatient Evaluation & Management Services

San Luis Valley Regional Medical Center (SLVRMC)

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:

San Luis Valley Regional Medical Center (SLVRMC) is a 49-bed, fully accredited hospital located in the heart of the San Luis Valley in south central Colorado. The medical center is located in a rural area, serving six counties covering approximately 8,000 square miles and 48,000 people. The region represents a primarily agricultural economy; three counties are among the four lowest income counties in Colorado. The average household income in SLVRMC’s service area is half of the Colorado average, resulting in a high percentage of uninsured and underinsured patients; three-quarters of patient discharges are Medicaid (35 percent), Medicare (28 percent), or uninsured/self-pay patients (12 percent). SLVRMC also operates Conejos County Hospital, a Critical Access Hospital located in La Jara, Colorado. The organization is an affiliate of Centura Health.

Eight years ago San Luis Valley Regional Medical Center employed four providers in the emergency department. Today, SLVRMC and Conejos County Hospital together employ 60 providers, including physicians and mid-level providers. In 2006, a local multi-specialty clinic sought affiliation with SLVRMC, citing the payer mix as one of the primary reasons that the clinic could no longer remain financially viable. The specialty clinic could not afford to pay for basic expenses, such as upgrades to its phone systems and recruiting and paying competitive salaries for specialty physicians. Today, San Luis Valley Regional Medical Center offers outpatient physician services through its on-site multispecialty clinic, as well as an off-site family practice clinic and another outpatient clinic. Two additional outpatient clinics are affiliated with Conejos County Hospital.

While a few private physicians have remained in the San Luis Valley for years, they represent only five of approximately 80 physicians and other mid-level practitioners in the area. Private practice in the rural, economically-challenged area can only be supported by physicians that treat primarily patients with traditional third-party insurance, which typically represents about one-third of the overall patient population. All six counties are designated medically underserved areas, and many of the regions are also designated health professional shortage areas. Without financial support from the medical center, most outpatient physician and specialty services simply would no longer be available in the community.

San Luis Valley Regional Medical Center is located 120 miles from the next-largest hospital, with a mountain pass between the two facilities. The medical center is the primary source for trauma care,

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surgery, orthopedics, oncology, and intensive care, and it is the only hospital in the region that delivers babies. Physicians are willing to come to the area because of their ability to work with the hospital to provide comprehensive medical care, receive competitive compensation and benefits, and maintain a quality of life and work-life balance that would not be realistic in an independent outpatient practice.

Not only does provider-based reimbursement ensure the existence of outpatient physician and specialty care in the San Luis Valley, it also ensures a higher standard of care. Patients are able to access care that meets accreditation standards, is integrated using information technology, and allows access to the continuum of primary care, specialty care and inpatient care when needed. In addition, San Luis Valley Regional Medical Center offers adjunct care, including diabetes education, outpatient nutrition, behavioral health, weight-loss/fitness programs and an Anticoagulation Clinic. The medical center also works closely with the local community health center, and is a charter participant in the state health information system as a regional leader, as well as a joint participant in clinical improvements, such as a medical home delivery model and providing more patient-centered care to reduce readmissions and integrate primary care physicians into better systems of care.

This type of comprehensive, integrated care requires additional overhead, including a comprehensive electronic medical record and information technology system and adherence to additional hospital-based regulatory and accreditation requirements. In addition, the hospital has fixed overhead for inpatient services such as the delivery room, operating room, emergency/trauma and intensive care unit. In order to make those services available to the community, the hospital spreads those expenses across the organization. The SLRVMC payer mix limits the organization's ability to bring in additional income that can off-set other areas of the hospital and outpatient care that lose money.

Without provider-based reimbursement and additional subsidies from San Luis Valley Regional Medical Center, there would be little or no outpatient physician services available in the region. Currently the medical center provides 100 percent of all specialty care, and approximately 40 percent of primary care in the region. All of the clinics are currently losing money, even with provider-based reimbursement. The general health of the community would greatly deteriorate if these services were not available, impacting not only physical health, but also the community's current and future economic well-being. Although some primary care services are not affiliated with the medical center, primary care physicians need the expertise of the specialists in order to provide effective care. For example, without the subsidies from SLVRMC, a mother deciding if her child should get tympanostomy tubes (ear tubes) would have to drive 120 miles and over a mountain pass to see an ENT specialist.

THE IMPACT:

San Luis Valley Regional Medical Center leaders describe the proposed cuts to hospital outpatient provider-based reimbursement as a “worrisome proposition.” Approximately 75 percent of the medical center's revenue is already outpatient, and the organization cannot survive with a heavily outpatient focus in the future if all outpatient services are losing money. SLVRMC would need to re-evaluate which services lose the most money and cut back to the very basics. In addition, none of the programs that contribute to holistic patient care would remain, such as wellness programs, the diabetes clinic and the Anticoagulation Clinic. The medical center would essentially become an emergency room with surgeons and specialists rotating monthly, severely limiting access to specialty care and nearly removing access to primary and specialty care for individuals that are uninsured or are Medicaid or Medicare patients. The one-third of the six-county population that has traditional insurance would have access to limited, intermittent care supplemented by a long drive time to access specialty care. This severe limitation of critical health care services would likely contribute to a downward spiral of the overall economic well-being of the region, as employers in the community consider health care an anchor essential to the community's health and well-being.

