

Case Example

Outpatient Evaluation & Management Services

Grady Health System

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:

Founded more than 120 years ago, Grady Health System is not only the largest public health system in Georgia; it is one of the largest health systems in the nation. Grady, a safety net hospital, provides care for residents of metro Atlanta and greater Georgia; and maintains a strong and vital commitment to the health care needs of the underserved in Fulton and DeKalb counties. Beyond its 895-bed hospital in downtown Atlanta, the facilities and services of Grady Health System include a children’s hospital, a 295-bed long-term skilled nursing facility, a burn unit, an on-site primary care center, and six free-standing neighborhood primary care centers. Grady’s premier level I trauma center is the only one in the region. Grady’s specialty clinics include centers for sickle cell, infectious diseases (HIV/AIDS), diabetes, cancer, stroke, and breast care. Grady also houses a regional neonatal intensive care unit, a geriatric clinic, and Georgia’s Poison Center, and it provides dedicated lines for communication with advice nurses for teens, older adults, and rape crises.

As a leading teaching hospital, Grady’s medical staff is comprised almost exclusively of doctors from Moorehouse and Emory University medical schools, with a few employed physicians, such as anesthesiologists. Grady is highly visible and well-known across the metro community. It serves as a point of access and medical home for the community’s underserved, many of whom would not receive health care otherwise. These patients often enter through the doors of the emergency department, an expensive alternative for routine health care needs. Forty-seven percent of patients treated in Grady Health System’s emergency department in 2012 were uninsured. To best manage costs while ensuring access to the most appropriate levels of quality health care for all segments of its community, Grady strives to educate and direct patients for their primary care needs either to the organization’s on-site provider-based clinic or to one of the six provider-based neighborhood health clinics. Along with the nursing staff, Grady’s provider-based primary care clinics are staffed by approximately 20 physicians. Affiliated with Moorehouse and Emory University medical schools, Grady subsidizes the training costs of physicians in their hospital, and neighborhood and specialty clinics. Only one-third of the employment costs for Grady’s medical school and employed physicians are reimbursed.

Continued on reverse



Grady also bears the cost of compliance with higher Joint Commission standards. For example, the Joint Commission's standards for those who practice in the neighborhood and specialty clinics are higher than for staff in private practice offices. Grady's clinics are required to have a registered nurse deliver services that a medical assistant might provide in a private practice office or clinic. Required safety screenings for patients and technology investments also contribute to increased costs for the provider-based clinics. The organization makes investment decisions differently than a private practice facility might, often based on a broader, more comprehensive and integrated picture of care delivery. For example, information technology investments help facilitate integration, communication and care coordination between the hospital, specialty and neighborhood clinics. Another example is Grady's investment in on-site radiology at its clinics, which facilitates and encourages the receipt of ambulatory care at its provider-based clinics, relieving pressure on its emergency department.

Founded on a belief in care for the underserved, Grady Health System has provided millions of dollars in indigent and charitable care. In 2011, that included \$320 million in charges and \$107 million in costs. Estimates for 2012 are \$355 million in estimated charges and \$110 million in estimated costs. More than 40 percent of patients seen at the neighborhood health clinics are uninsured. The cost of their care is shouldered by the hospital, whose major source of revenue is Medicare and Medicaid reimbursement. In 2012, Grady's outpatient payer mix includes 49.5 percent uninsured, twenty percent Medicare, and another 20 percent Medicaid. The payer mix for Grady's emergency room in 2012 includes more than 47 percent uninsured, nearly 17 percent Medicare, and 22 percent Medicaid. As a safety net hospital, there are few, if any, alternatives for many patients receiving services at Grady Health System. Patients who receive primary care at one of Grady's clinics, but also need surgeries, medications or other specialty services, are provided for within the Grady Health System. Grady is renowned for many of its specialty clinics, such as sickle cell and infectious diseases clinics, which provide services not otherwise available within the state or region. The care that patients receive through Grady Health System is well-coordinated and more comprehensive than could be provided at a free-standing clinic or independent physician office. Further, the integration and coordination of care Grady provides reduces the costs of care on a larger scale and is aligned with the nation's transformation to accountable and affordable care.

THE IMPACT:

If E/M cuts are implemented, Grady's primary and specialty care clinics stand to lose \$4.5 million annually. Grady is already operating on a razor thin margin and cannot sustain further cuts without reviewing the level of services it provides for the community, including evaluation of the types of services provided, hours of operation for its provider-based clinics, number of physicians, IT investments, and even the number of clinics in operation. It's a difficult, double-edged sword for Grady. If Grady cuts some of these essential outpatient services, it anticipates that a significant percentage of their patients will have no alternative resources, and many will return to the emergency department for care that should more appropriately be delivered in a clinic setting.