

Case Example

Outpatient Evaluation & Management Services

Stillwater Medical Center

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:

Stillwater Medical Center is a 119-bed acute care general hospital that offers a full range of services to patients throughout north central Oklahoma. The not-for-profit public trust hospital is a regional health care provider for the rural area, with the nearest urban area approximately 70 miles away. The medical center’s patients are approximately 42 percent Medicare, 11 percent Medicaid, 6 percent uninsured/self-pay, and 41 percent insured through commercial insurance. In addition to the hospital facility, the organization has 12 outpatient clinics. Six of the 12 are currently designated provider-based facilities, and another three are in the process of qualifying to become provider-based facilities. Several of the outpatient clinics meet a critical community need that would not otherwise be available for patients that have Medicare, Medicaid, or are uninsured. As a result, over 60 percent of the patients served by the outpatient cardiology clinic are Medicare patients, and in one primary care clinic approximately 70 percent of the patients served are insured by Medicare.

In recent years the medical center has experienced an increasing number of physician practices seeking acquisition by the hospital. A local cardiologist asked the hospital for employment, with the likely outcome of leaving the region if hospital employment was not an option. In addition, two of the region’s three general surgeons stopped practicing in the area, leaving one general surgeon who approached the hospital seeking employment. Since then, the hospital has hired two additional general surgeons and is currently in the process of hiring a fourth. Similar experiences have happened with family practice physicians, OB/GYNs, gastrointestinal (GI) physicians, and urologists. The requests for employment were a wake-up call for Stillwater Medical Center, indicating the need to employ physicians with a competitive salary, or risk physicians leaving the region.

Increasingly, rural physicians do not want to assume the financial risk of providing health care services. Through employment with the medical center, physicians focus on providing patient care while the hospital manages the business operations and the associated financial risk. All of the hospital’s outpatient clinics, regardless of their provider-based status, abide by the hospital’s generous charity care policy.

Continued on reverse



Physicians are paid the same amount regardless of their patients' insurance status. This shift has not only increased physician satisfaction and retained physicians that otherwise would have left the region, but has increased local access to care for Medicare, Medicaid and uninsured patients. Independent outpatient practices in the region generally do not accept these patients.

Because many of Stillwater Medical Center's outpatient clinics were not initially affiliated with the medical center, the organization has invested significant resources to bring the facilities up to the hospital's quality and accreditation standards. The greatest cost of converting a stand-alone outpatient clinic to a hospital-based outpatient clinic is mechanical system upgrades necessary for a safer patient care environment, including HVAC systems, lead-lined walls in x-ray rooms, a hazardous waste removal process, and meeting standardized requirements for plumbing vent distances from air returns. Other costs include upgrading facilities to be ADA compliant, widening hallways, installing safety glass, installing sinks in every patient room, and implementing an integrated electronic medical record system. Once clinics are upgraded, they incur additional costs to maintain operations, including maintaining and upgrading information technology and medical equipment, staff education, ongoing quality improvement plans, and compliance with regulations and accreditation standards. In addition, all clinics affiliated with the medical center at a minimum employ an LPN to provide patient care, while independent clinics may not utilize clinical staff for some components of patient care.

Not only has access to care been maintained and even improved in some specialties as a result of Stillwater Medical Center's provider-based clinics, but the care also meets higher quality standards and is better coordinated. The medical center's 12 outpatient clinics now have established competencies for patient care staff with annual evaluations; employees have clinical medical training, established policies and procedures and patient safety guidelines; all the clinics have incident reporting processes in place, as well as performance improvement projects to address potential challenges and quarterly rounds for safety checks; and employees have a variety of continuing education opportunities. In addition, the hospital continually invests in new equipment and technology.

Care is better coordinated in part because of the use of an integrated electronic health record, which interfaces with all outpatient clinics in the system, as well as the medical center's information system. The concept of one medical record and all providers working together has helped set the stage in Stillwater for the concept of Accountable Care Organizations (ACOs) and medical homes, changing the dynamic between various providers and the medical center to more team-oriented care. And because of recent certification and regulatory requirements, the medical center and clinics are implementing a process similar to a manufacturing-type industry standard, mapping patient flow and standardizing patient processes, which leads to improved patient flow, medication reconciliation, and better overall patient care.

THE IMPACT:

When combined, Stillwater Medical Center's outpatient clinics lose approximately \$750,000 annually; when the costs for subsidizing anesthesia physicians and hospitalists are included, the total loss is \$1.75 million annually. If the proposed E/M cuts are implemented, the medical center may not be able to continue employing physicians in their current status. If physician compensation were changed, there is a high likelihood that some physicians would leave, with the potential to once again severely limit access to outpatient primary and specialty care to patients in the region, most notably Medicare, Medicaid and uninsured patients.