

# Case Example

## Outpatient Evaluation & Management Services

### St. Luke's 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:

**St. Luke's Health System** is Idaho's largest and only locally governed health care system. St. Luke's Health System includes seven hospitals, located in Boise, Meridian, Twin Falls, Ketchum, McCall and Jerome, Idaho. Three of the hospitals are critical access hospitals (CAH) and St. Luke's Children's Hospital is the only children's hospital in Idaho. The Health System employs 633 providers, 460 of whom are physicians and another 173 are advanced practice clinicians. The health system has 148 separate provider-based locations, excluding its cancer clinic, which is part of St. Luke's Mountain States Tumor Institute. St. Luke's provides patients with unmatched care in specialized medical fields including cancer, heart and vascular, obstetrics, women's services and children's health care.

With more than 10,000 employees, St. Luke's service area spans southwest Idaho and eastern Oregon. Predominately rural, most of St. Luke's service area is designated as medically underserved (MU). Two of its provider-based clinics, with seven physicians each, are located in areas designated as Health Professional Shortage Areas (HPSA). Two additional clinics have submitted applications and are pending approval by NHSC. Additionally, primary care and specialty physicians, including pediatric sub-specialists, rotate service in remote communities in Idaho and Oregon. By employing physicians, St. Luke's has made progress in overcoming physicians' reluctance to practice in low-volume, rural communities and has successfully recruited physicians for its Idaho and Oregon provider-based clinics. Through its employed physician model, St. Luke's has reduced historic limits to access for Medicare, Medicaid and uninsured patients. St. Luke's Internal Medicine Clinic is an example of these efforts. The clinic's payer mix is predominately government-based (65 percent Medicare and four percent Medicaid). With government reimbursements that are less than cost, the clinic would not have been viable on its own. Even with the health system's support, St. Luke's Internal Medicine clinics will still lose approximately \$3 million this year.

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St. Luke's is in the process of implementing an integrated electronic medical record (EMR) across the organization. On the outpatient side, patients now have a single medical record at St. Luke's, regardless of which provider-based clinic from which they receive their care. St. Luke's and its provider-based clinics are already seeing improvements in communication and care coordination as a result of the integrated EMR. Given low patient volumes, physicians would not have been able to afford implementing an EMR in these rural communities.

As a department of the hospital, St. Luke's provider-based clinics are held to the same Joint Commission and CMS standards as the hospital. Its providers are also held to higher peer review standards, including outpatient credentialing standards vs. inpatient review standards only. St. Luke's Director of Clinical Quality ensures performance improvement measures are implemented and outcomes are measured for its provider-based clinics. The health system's Patient Relations department responds to any and all patient complaints regarding provider-based services. Complaints are tracked and trended, and improvement measures are implemented when indicated. These are standards not typically implemented in independent physician practices.

St. Luke's provider-based clinics also evaluate more than 1,000 children annually for alleged abuse through its CARES (Children at Risk Evaluation Services) program. CARES provides age-sensitive medical examinations and treatment, legal documentation, and follow-up referrals. CARES also provides resources, education and training on the issues of child abuse and neglect.

## **THE IMPACT:**

**St. Luke's has robust plans for continued improvements in access to care, including a goal of doubling access to primary and specialty care services in remote communities. The health system also plans to expand its use of patient navigators, which have successfully reduced St. Luke's readmissions. If E/M cuts are implemented, St. Luke's projects a potential loss of \$8 million. Should that happen, the hospital will have to review the level of services it provides, including reassessment of its goal to double access and increase the number of patient navigators.**

