American Hospital Association™
Advancing Health in America

Fact Sheet: Medicare Site-neutral Legislative Proposals Under Consideration Would Jeopardize Access to Care for Patients and Communities

The Issue

Congress is considering several proposals that would impose additional Medicare site-neutral payment reductions for services provided in hospital outpatient departments (HOPDs). A description of these proposals and the potential impact they would have on Medicare reimbursement to hospitals and health systems follow. **The AHA is opposed to any additional site-neutral cuts, which would endanger the critical role hospitals and health systems play in their communities, including access to care for patients.**

The Proposals Under Consideration

- Hospital On-Campus and Off-Campus Site-Neutral Proposal (MedPAC Recommendation):
  In its June 2023 Report to the Congress, MedPAC recommended that payments should be aligned across HOPDs, both on-campus and off-campus, ambulatory surgical centers and physician offices for certain ambulatory payment classification (APC) groups. The site-neutral payment rate that would apply to the services in each APC would be based on the Medicare payment system for the ambulatory setting in which these services are most commonly furnished. **According to an AHA analysis, this proposal would result in a cut to hospitals of $167.1 billion over 10 years.**

- The Lowering Health Costs for Seniors Framework, released by Senators Bill Cassidy, M.D. (R-LA) and Maggie Hassan (D-NH) outlines two potential options for site-neutral cuts:
  - Policy Option 1: Eliminating the grandfathering exception to apply site-neutral cuts to all off-campus HOPDs
  - Policy Option 2: Imposing the MedPAC proposal outlined above to apply site-neutral cuts to on-campus and off-campus HOPDs. As part of this option, the framework also proposes to reinvest a portion of the cuts back to certain types of rural and safety-net hospitals. **According to an AHA analysis, accounting for the reinvestments, Policy Option 2 would result in a cut to hospitals of $114.4 billion over 10 years.**

- The SITE Act would expand site-neutral payment cuts for all services furnished in grandfathered off-campus HOPDs, other than evaluation and management services, which are already paid at a site-neutral rate. This would include off-campus HOPDs and some items and services that Congress had previously exempted from site-neutral payment under Medicare, including dedicated emergency departments and CMS-approved "mid-build" off-campus provider-based departments. **According to an AHA analysis, this would result in a cut to hospitals of $32 billion over 10 years.**

- The Lower Costs, More Transparency Act contains a provision that would cut reimbursements for drug administration services at off-campus HOPDs. Phased in over four years, drug administration services furnished in grandfathered off-campus HOPDs would be paid at a site-neutral rate, delaying implementation for certain rural and cancer hospitals by one year. **According to an AHA analysis, this Act would result in a cut to hospitals of $4 billion over 10 years.**

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State	State Abbreviation	10-Year Dollar Impact	10-Year Percent Impact
United States	**U.S.**	**-$167.1 B**	**-12.83%**
Alabama	AL	-$2.0 B	-12.81%
Alaska	AK	-$361.9 M	-13.96%
Arizona	AZ	-$2.2 B	-8.73%
Arkansas	AR	-$2.1 B	-14.46%
California	CA	-$17.3 B	-13.18%
Colorado	CO	-$2.2 B	-12.19%
Connecticut	CT	-$2.1 B	-12.14%
Delaware	DE	-$731.3 M	-11.83%
District of Columbia	DC	-$527.1 M	-10.57%
Florida	FL	-$7.1 B	-10.47%
Georgia	GA	-$3.5 B	-10.00%
Hawaii	HI	-$556.8 M	-13.47%
Idaho	ID	-$1.3 B	-14.00%
Illinois	IL	-$7.9 B	-14.02%
Indiana	IN	-$4.3 B	-12.70%
Iowa	IA	-$2.4 B	-14.94%
Kansas	KS	-$2.0 B	-12.26%
Kentucky	KY	-$2.6 B	-12.04%
Louisiana	LA	-$2.5 B	-12.70%
Maine	ME	-$1.0 B	-15.89%
Massachusetts	MA	-$8.7 B	-15.58%
Michigan	MI	-$5.1 B	-14.08%
Minnesota	MN	-$3.4 B	-13.88%
Mississippi	MS	-$1.7 B	-11.88%
Missouri	MO	-$3.9 B	-13.29%
Montana	MT	-$1.2 B	-14.68%
Nebraska	NE	-$1.2 B	-12.06%
Nevada	NV	-$691.2 M	-11.32%
New Hampshire	NH	-$1.5 B	-16.33%
New Jersey	NJ	-$3.9 B	-11.37%
New Mexico	NM	-$1.1 B	-16.41%
New York	NY	-$10.6 B	-12.25%
North Carolina	NC	-$4.6 B	-10.83%
North Dakota	ND	-$1.3 B	-16.85%

State	State Abbreviation	10-Year Dollar Impact	10-Year Percent Impact
Ohio	OH	-$7.4 B	-14.22%
Oklahoma	OK	-$2.8 B	-13.82%
Oregon	OR	-$1.8 B	-12.62%
Pennsylvania	PA	-$7.8 B	-12.36%
Puerto Rico	PR	-$47.0 M	-13.85%
Rhode Island	RI	-$455.8 M	-11.51%
South Carolina	SC	-$2.7 B	-11.38%
South Dakota	SD	-$1.8 B	-17.54%
Tennessee	TN	-$2.8 B	-11.00%
Texas	TX	-$8.7 B	-12.45%
Utah	UT	-$1.2 B	-11.89%
Vermont	VT	-$762.7 M	-17.55%
Virginia	VA	-$4.7 B	-12.74%
Washington	WA	-$4.3 B	-13.26%
West Virginia	WV	-$1.6 B	-16.08%
Wisconsin	WI	-$4.2 B	-15.01%
Wyoming	WY	-$322.2 M	-12.94%

Sources: Centers for Medicare & Medicaid Services (CMS), calendar year (CY) 2023 outpatient prospective payment system (OPPS) final rule rate-setting and outpatient limited data set standard analytical files; CY 2025 OPPS final rule and associated public use files; CMS Provider of Services Files, 2023 and 2024; Congressional Budget Office (CBO), Medicare Baseline Projections, 2024; Medicare Payment Advisory Commission (MedPAC), "Report to the Congress: Medicare and the Health Care Delivery System," June 2022 and June 2023.

Notes:

1. In AHA's modeling of this "All HOPDs MedPAC Site-neutral" recommendation, rather than recreating the process outlined by MedPAC in its reports to identify the impacted APCs, we used a list of APCs previously identified by MedPAC and modeled the site-neutral payment rate for services in those APCs at 40 percent of the OPPS rate, i.e., a reduction of 60 percent.
2. We modeled OPPS payments using CY 2023 data files and CY 2025 final rule policies. Payments were inflated to 2026 and projected through 2035 using CBO's actual and projected payments for hospital outpatient services contained in their June 2024 Medicare baseline.

State	State Abbreviation	10-Year Dollar Impact	10-Year Percent Impact
United States	**U.S.**	**-$114.4 B**	**-8.78%**
Alabama	AL	-$1.2 B	-7.40%
Alaska	AK	-$74.6 M	-2.88%
Arizona	AZ	-$1.2 B	-4.73%
Arkansas	AR	-$1.4 B	-9.16%
California	CA	-$11.9 B	-9.03%
Colorado	CO	-$1.0 B	-5.43%
Connecticut	CT	-$2.0 B	-11.81%
Delaware	DE	-$673.0 M	-10.88%
District of Columbia	DC	-$295.4 M	-5.93%
Florida	FL	-$4.9 B	-7.20%
Georgia	GA	-$2.2 B	-6.13%
Hawaii	HI	-$387.6 M	-9.38%
Idaho	ID	-$984.2 M	-10.91%
Illinois	IL	-$5.9 B	-10.43%
Indiana	IN	-$2.9 B	-8.44%
Iowa	IA	-$1.7 B	-11.06%
Kansas	KS	-$1.5 B	-8.94%
Kentucky	KY	-$1.6 B	-7.15%
Louisiana	LA	-$1.9 B	-9.98%
Maine	ME	-$725.1 M	-11.49%
Massachusetts	MA	-$7.5 B	-13.46%
Michigan	MI	-$3.1 B	-8.57%
Minnesota	MN	-$1.5 B	-6.35%
Mississippi	MS	-$934.6 M	-6.42%
Missouri	MO	-$2.7 B	-9.35%
Montana	MT	-$885.3 M	-10.47%
Nebraska	NE	-$883.1 M	-8.83%
Nevada	NV	-$296.6 M	-4.86%
New Hampshire	NH	-$922.6 M	-10.03%
New Jersey	NJ	-$3.2 B	-9.25%
New Mexico	NM	-$498.2 M	-7.58%
New York	NY	-$8.5 B	-9.83%
North Carolina	NC	-$2.2 B	-5.27%
North Dakota	ND	-$1.0 B	-13.20%

State	State Abbreviation	10-Year Dollar Impact	10-Year Percent Impact
Ohio	OH	-$5.4 B	-10.31%
Oklahoma	OK	-$2.0 B	-9.93%
Oregon	OR	-$656.6 M	-4.51%
Pennsylvania	PA	-$6.5 B	-10.30%
Puerto Rico	PR	-$47.0 M	-13.85%
Rhode Island	RI	-$181.5 M	-4.58%
South Carolina	SC	-$1.1 B	-4.71%
South Dakota	SD	-$1.3 B	-13.21%
Tennessee	TN	-$1.2 B	-4.75%
Texas	TX	-$6.4 B	-9.23%
Utah	UT	-$870.3 M	-8.67%
Vermont	VT	-$167.7 M	-3.86%
Virginia	VA	-$2.9 B	-7.91%
Washington	WA	-$2.5 B	-7.61%
West Virginia	WV	-$928.9 M	-9.40%
Wisconsin	WI	-$3.5 B	-12.64%
Wyoming	WY	-$40.4 M	-1.62%

Sources: Centers for Medicare & Medicaid Services (CMS), calendar year (CY) 2023 outpatient prospective payment system (OPPS) final rule rate-setting and outpatient limited data set standard analytical files; CY 2025 OPPS final rule and associated public use files; CMS Provider of Services Files, 2023 and 2024; AHA Annual Survey Database, 2022; Congressional Budget Office (CBO), Medicare Baseline Projections, 2024; Medicare Payment Advisory Commission (MedPAC), "Report to the Congress: Medicare and the Health Care Delivery System," June 2022 and June 2023

Notes:

1. In AHA's modeling of this "All HOPDs MedPAC Site-neutral" recommendation, rather than recreating the process outlined by MedPAC in its reports to identify the impacted APCs, we used a list of APCs previously identified by MedPAC and modeled the site-neutral payment rate for services in those APCs at 40 percent of the OPPS rate, i.e., a reduction of 60 percent.
2. As outlined in the Lowering Health Costs For Seniors Framework, Policy Option 2 proposes possible reinvestment mechanisms for rural and safety net hospitals based on their outpatient revenue and core lines of services offered by the hospital, as well as through value-based reimbursement. We modeled the option related to outpatient revenue and core lines of service.
3. We modeled OPPS payments using CY 2023 data files and CY 2025 final rule policies. Payments were inflated to 2026 and projected through 2035 using CBO's actual and projected payments for hospital outpatient services contained in their June 2024 Medicare baseline.

State	State Abbreviation	10-Year Dollar Impact	10-Year Percent Impact
United States	**U.S.**	**-$32.0 B**	**-2.46%**
Alabama	AL	-$298.3 M	-1.88%
Alaska	AK	-$7.0 M	-0.27%
Arizona	AZ	-$243.1 M	-0.96%
Arkansas	AR	-$228.3 M	-1.54%
California	CA	-$2.7 B	-2.02%
Colorado	CO	-$331.8 M	-1.80%
Connecticut	CT	-$873.3 M	-5.11%
Delaware	DE	-$344.7 M	-5.57%
District of Columbia	DC	-$36.6 M	-0.73%
Florida	FL	-$1.9 B	-2.76%
Georgia	GA	-$751.8 M	-2.14%
Hawaii	HI	-$42.4 M	-1.03%
Idaho	ID	-$287.5 M	-3.19%
Illinois	IL	-$1.1 B	-1.99%
Indiana	IN	-$856.5 M	-2.52%
Iowa	IA	-$359.5 M	-2.28%
Kansas	KS	-$393.2 M	-2.37%
Kentucky	KY	-$469.6 M	-2.14%
Louisiana	LA	-$236.3 M	-1.22%
Maine	ME	-$278.9 M	-4.42%
Massachusetts	MA	-$1.6 B	-2.86%
Michigan	MI	-$1.5 B	-4.18%
Minnesota	MN	-$352.9 M	-1.46%
Mississippi	MS	-$214.3 M	-1.47%
Missouri	MO	-$720.2 M	-2.45%
Montana	MT	-$63.4 M	-0.75%
Nebraska	NE	-$159.3 M	-1.59%
Nevada	NV	-$129.6 M	-2.12%
New Hampshire	NH	-$224.1 M	-2.44%
New Jersey	NJ	-$934.3 M	-2.72%
New Mexico	NM	-$224.7 M	-3.42%
New York	NY	-$2.2 B	-2.58%
North Carolina	NC	-$1.3 B	-2.98%
North Dakota	ND	-$299.6 M	-3.95%
Ohio	OH	-$2.4 B	-4.51%
Oklahoma	OK	-$540.0 M	-2.63%

State	State Abbreviation	10-Year Dollar Impact	10-Year Percent Impact
Oregon	OR	-$151.1 M	-1.04%
Pennsylvania	PA	-$1.9 B	-2.98%
Rhode Island	RI	-$93.0 M	-2.35%
South Carolina	SC	-$477.8 M	-2.00%
South Dakota	SD	-$120.3 M	-1.19%
Tennessee	TN	-$469.7 M	-1.82%
Texas	TX	-$1.4 B	-2.00%
Utah	UT	-$204.0 M	-2.03%
Vermont	VT	-$50.0 M	-1.15%
Virginia	VA	-$1.1 B	-2.94%
Washington	WA	-$758.7 M	-2.33%
West Virginia	WV	-$78.0 M	-0.79%
Wisconsin	WI	-$740.0 M	-2.66%
Wyoming	WY	-$108.2 K	0.00%

Sources: Centers for Medicare & Medicaid Services (CMS), calendar year (CY) 2023 outpatient prospective payment system (OPPS) final rule rate-setting and outpatient limited data set standard analytical files; CY 2025 OPPS final rule and associated public use files; CMS Provider of Services Files, 2023 and 2024; Congressional Budget Office (CBO), Medicare Baseline Projections, 2019-2024; Medicare Payment Advisory Commission (MedPAC), "Report to the Congress: Medicare and the Health Care Delivery System," June 2018.

Notes:

1. In AHA's modeling of the SITE Act, we did not model the impact of imposing site-neutral payment cuts to CMS-confirmed "mid-build" off-campus provider-based departments (PBDs) that Congress previously exempted from site-neutral payment under Medicare. Also, it is our understanding that the Act is not intended to apply to off-campus PBDs belonging to the 11 dedicated cancer hospitals, hence the impacts do not include any cuts to those PBDs.
2. The SITE Act would cut payment by 30 percent for items and services in off-campus dedicated emergency departments (EDs) that are located 6 or less miles from any other hospital, critical-access hospital (CAH) or rural emergency hospital (REH), including the parent hospital's ED. Since the Medicare claims data do not contain the necessary information to model this provision, we relied on a CBO score published in the June 2018 MedPAC Report to the Congress, with a projected national impact of $50 - $250 million due to a MedPAC-proposed 30 percent reduction in payments for services provided by urban off-campus EDs that are within 6 miles of an on-campus hospital ED. We conservatively took the midpoint of this range and inflated it to 2026 using CBO's actual and projected payments contained in their Medicare baselines. Using data contained in outpatient fee-for-service claims billed by hospitals with the "ER" modifier (outpatient items and services furnished by a provider-based off-campus ED), we applied the estimated state shares to the estimated national total. Since the CBO score applies only to urban off-campus EDs within 6 miles of an on-campus hospital ED, but the SITE Act applies to all off-campus EDs within 6 miles of any other hospital, CAH, or REH, including the parent hospital of such ED, the CBO score is most probably an underestimate of the actual impact that would occur.
3. With the exception of the off-campus ED impact methodology mentioned in note 2, for all other off-campus grandfathered non-E&M services, we estimated the site-neutral payment rate to be 40 percent of the OPPS payment rate i.e., a reduction of 60 percent.
4. Puerto Rico did not report any lines for off-campus grandfathered non-E&M services in the claims data and is not shown in the table. States with very low impacts are shown in the table but have very few reported off-campus grandfathered non-E&M services.
5. We modeled OPPS payments using CY 2023 data files and CY 2025 final rule policies. Payments were inflated to 2026 and projected through 2035 using CBO's actual and projected payments for hospital outpatient services contained in their June 2024 Medicare baseline.

State	State Abbreviation	10-Year Dollar Impact	10-Year Percent Impact
United States	**U.S.**	**-$4.0 B**	**-0.31%**
Alabama	AL	-$38.2 M	-0.24%
Alaska	AK	-$2.4 M	-0.09%
Arizona	AZ	-$32.1 M	-0.13%
Arkansas	AR	-$4.9 M	-0.03%
California	CA	-$357.5 M	-0.27%
Colorado	CO	-$39.1 M	-0.21%
Connecticut	CT	-$77.7 M	-0.45%
Delaware	DE	-$14.8 M	-0.24%
District of Columbia	DC	-$377.8 K	-0.01%
Florida	FL	-$171.6 M	-0.25%
Georgia	GA	-$130.0 M	-0.37%
Hawaii	HI	-$945.2 K	-0.02%
Idaho	ID	-$36.5 M	-0.40%
Illinois	IL	-$150.0 M	-0.27%
Indiana	IN	-$66.6 M	-0.20%
Iowa	IA	-$22.9 M	-0.14%
Kansas	KS	-$72.9 M	-0.44%
Kentucky	KY	-$56.1 M	-0.26%
Louisiana	LA	-$8.1 M	-0.04%
Maine	ME	-$34.6 M	-0.55%
Massachusetts	MA	-$257.9 M	-0.46%
Michigan	MI	-$157.5 M	-0.44%
Minnesota	MN	-$54.8 M	-0.23%
Mississippi	MS	-$34.2 M	-0.24%
Missouri	MO	-$54.4 M	-0.19%
Montana	MT	-$9.5 M	-0.11%
Nebraska	NE	-$20.6 M	-0.21%
Nevada	NV	-$2.1 M	-0.03%
New Hampshire	NH	-$12.0 M	-0.13%
New Jersey	NJ	-$76.5 M	-0.22%
New Mexico	NM	-$22.4 M	-0.34%
New York	NY	-$621.0 M	-0.72%
North Carolina	NC	-$84.8 M	-0.20%
North Dakota	ND	-$37.9 M	-0.50%
Ohio	OH	-$217.2 M	-0.42%

State	State Abbreviation	10-Year Dollar Impact	10-Year Percent Impact
Oklahoma	OK	-$33.4 M	-0.16%
Oregon	OR	-$24.9 M	-0.17%
Pennsylvania	PA	-$155.0 M	-0.24%
Rhode Island	RI	-$28.4 M	-0.72%
South Carolina	SC	-$49.9 M	-0.21%
South Dakota	SD	-$10.1 M	-0.10%
Tennessee	TN	-$55.5 M	-0.22%
Texas	TX	-$176.7 M	-0.25%
Utah	UT	-$17.8 M	-0.18%
Vermont	VT	-$9.3 M	-0.21%
Virginia	VA	-$129.7 M	-0.35%
Washington	WA	-$219.3 M	-0.67%
West Virginia	WV	-$1.2 M	-0.01%
Wisconsin	WI	-$98.6 M	-0.36%

Sources: Centers for Medicare & Medicaid Services (CMS), calendar year (CY) 2023 outpatient prospective payment system (OPPS) final rule rate-setting and outpatient limited data set standard analytical files; CY 2025 OPPS final rule and associated public use files; CMS Provider of Services Files, 2023 and 2024; Congressional Budget Office (CBO), Medicare Baseline Projections, 2024.

Notes:

1. The Lower Costs, More Transparency Act defines off-campus grandfathered drug administration services as those that are assigned to designated ambulatory payment classification (APC) groups. While it does not explicitly list the APCs, an AHA coding expert identified four drug administration APCs: 5691-5694. Hence, we used these APCs in our modeling.
2. We estimated the site-neutral payment rate to be 40 percent of the OPPS payment rate i.e., a reduction of 60 percent.
3. Since the Lower Costs, More Transparency Act calls for a 4-year transition period, we assumed that cuts would result in 25 percent of the full impact in 2026, 50 percent in 2027, 75 percent in 2028 and 100 percent (full implementation) in 2029 and beyond. It is possible that CMS could adopt a different schedule for the transition period. The impacts shown do not include a one-year delay in implementation for certain rural and cancer hospitals.
4. Wyoming and Puerto Rico did not report any lines for off-campus grandfathered drug administration services in the claims data and are not shown in the table. States with very low impacts are shown in the table but have very few reported off-campus grandfathered drug administration services.
5. We modeled OPPS payments using CY 2023 data files and CY 2025 final rule policies. Payments were inflated to 2026 and projected through 2035 using CBO's actual and projected payments for hospital outpatient services contained in their June 2024 Medicare baseline.