

Site Neutral Policies and Rural Hospitals

Statute/Regulations: Social Security Act § 1833(t)(21)/42 U.S.C. § 1395l(t)(21).

Issue: Medicare typically pays more for services in a hospital outpatient department compared to a physician's office or other setting. Site-neutral payment policies implemented by Centers for Medicare and Medicaid Services (CMS) in 2019 require that off-campus provider-based departments (PBDs) be paid the Medicare Physician Fee Schedule (MPFS) rate for certain items and services rather than the Outpatient Prospective Payment System (OPPS) rate. The MPFS rate is lower than the applicable OPPS rate.

Background: In an effort to reduce Medicare spending due to increased outpatient department visits the Bipartisan Budget Act of 2015 enacted site-neutral payments for off-campus provider-based hospital outpatient departments established after the date of enactment of the bill. This was intended to address the growth in off-campus PBDs due to the payment differential compared to physicians' offices. Services provided in off-campus PBDs established after 2015 now receive 40% of the OPPS rate. However, in 2018, CMS continued to be concerned with off-campus department utilization and costs. In the calendar year (CY) 2019 final rule CMS finalized a policy to cap off-campus departments' payment rate for evaluation and management (E/M) services at the MPFS rate.

In 2022, rural sole community hospitals (SCHs) received reprieve from this policy in the CY 2023 OPPS final rule. CMS established a policy to exempt rural SCHs from site neutral payments because the uptick in services at these PBDs was likely due to other factors than the payment differential. CMS noted that rural SCH PBDs are an important point of access to care in rural communities.

Rural Impact: Paying rural off-campus providers less than the full OPPS rate contributes to destabilizing rural health care delivery. Factors other than the payment differential can be attributed to the volume of outpatient PBDs at rural hospitals beyond SCHs. Outpatient PBDs may be the only source of care in many rural communities and thus are critical to keeping care local and ensuring that rural patients can receive the services that they need. Any decline in payments threatens a rural provider's ability to keep their doors open. Additionally, hospitals often furnish more complex care and must meet more stringent requirements, like conditions of participation, than physicians' offices and ambulatory surgical centers, so the site neutral rate does not account for the type of care furnished nor the resourced needed at outpatient PBDs.

In NRHA's [comment](#) on the calendar year 2022 OPPS proposed rule, we asked that CMS consider exempting rural hospitals with less than 100 beds, Medicare-dependent hospitals, low-volume hospitals, and rural referral centers. Off-campus PBDs are often the only point of access to care in rural communities. Any further expansion of site-neutral payments would jeopardize the financial viability of critical outpatient PBDs and consequently reduce access to care in rural communities. Congress should not enact legislation to expand site neutral payments beyond E/M visits at off-campus PBDs and NRHA maintains that rural hospitals should be exempt from CMS' current site neutral policy.