

MedPAC Urges Cuts to Some Hospital Payments

The Medicare Payment Advisory Commission (MedPAC) is an independent Congressional agency established to advise the U.S. Congress on issues affecting the Medicare program. The MedPAC recently advised Congress to reduce payments to hospitals for many services that can be provided at much lower cost in the physician office setting. Medicare uses different fee schedules and formulas to pay for services provided in hospital outpatient clinics and physician offices.

MedPAC said the current payment disparities had created incentives for hospitals to buy physician practices, driving up costs for the Medicare program and for beneficiaries. Hospital buyouts of doctors, turning independent practitioners into hospital employees, have also led to higher spending by private insurers and higher co-payments for their policyholders, the Commission said. “In many cases, a physician’s practice that is purchased by a hospital stays in the same location and treats the same patients,” but “Medicare and beneficiaries pay more for the same services,” MedPAC said in their report to Congress.

For example, Medicare pays \$58 for a 15-minute visit to a doctor’s office and 70 percent more (i.e. \$98.70) for the same consultation in the outpatient department of a hospital. The patient also pays more via their co-payment \$24.68, rather than \$14.50.

Likewise, when a Medicare beneficiary receives a certain type of echocardiogram in a doctor’s office, the government and the patient together pay a total of \$188. They pay more than twice as much, or \$452 for the same test in the outpatient department of a hospital. The commission urged Congress to “equalize payment rates” or at least reduce the disparities, for doctor’s office visits and hospital clinic visits in which similar patients receive the same or similar services.

Variations in payment “urgently need to be addressed because many ambulatory services have been migrating from physicians’ offices to the usually higher-paid hospital outpatient department setting, as hospital employment of physicians has increased,” the Commission said. Under the changes outlined by the MedPAC, hospital clinics could lose 5 percent of their Medicare revenue. But the Medicare program and beneficiaries could save \$1.8 billion a year, according to the report.

Hospitals strenuously oppose the cuts, saying they have many costs that doctors practicing on their own do not have.

Jonathan D. Blum, deputy administrator of the Centers for Medicare and Medicaid Services, said the Obama administration had “no official position” on the commission’s proposal. But at a Congressional hearing on Friday, Mr. Blum said he supported the general goal of “site-neutral payments,” meaning that Medicare would pay about the same amount for a service, regardless of where it was provided.