

SITE-NEUTRAL PAYMENTS

THE SOLUTION

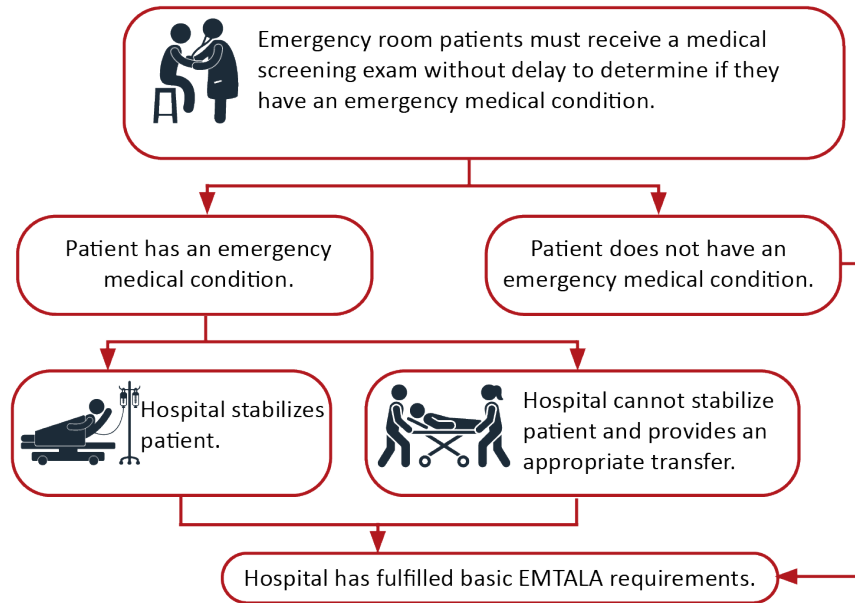
STOP site-neutral payment policies. PROTECT Medicare.

Hospitals with emergency departments are legally bound to treat patients in an emergency room setting. This is EMTALA. The basic EMTALA requirements are below.

Hospitals are required to equip and staff departments to diagnose and treat whoever may come through the door regardless of their condition and ability to pay. This makes running a hospital expensive - more expensive than running a clinic or primary care physician's practice that has far less overhead and is not open 24/7.



FIGURE: Basic EMTALA Requirements



Medicare reimbursement continues to be a challenge for Kansas hospitals. Statewide, the Medicare margin has varied from a low of -6.1 percent to a high of -4.8 percent. That means even without the two percent sequestration reduction, Medicare is not covering the cost of providing care to beneficiaries in Kansas. Such shortfalls in Medicare significantly threaten hospitals' financial viability. We ask for an end to sequestration and improvements to CMS rate setting calculations that reflect real-time cost drivers like inflations, supply shortages and staffing costs.

DIFFERENT MISSIONS, DIFFERENT FIXED COSTS

Hospitals must maintain 24/7 standby capacity, disaster readiness, infection control, pharmacy oversight, blood bank, EMTALA compliance,

FEDERAL: SITE-NEUTRAL PAYMENTS CONTINUED ...

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THE SOLUTION: STOP site-neutral payment policies. PROTECT Medicare.

DIFFERENT MISSIONS, DIFFERENT FIXED COSTS CONTINUED ...

advanced imaging backup and specialist call coverage. Those fixed costs don't exist for physician offices or many ambulatory surgical centers. Flattening rates ignores those mandatory overhead services in hospitals that keep access available when things go wrong.

Even for "same" the HCPCS codes, a hospital outpatient department's (HOPD) case mix tends to be older, poorer, more comorbid and medically complex. Current code-level risk adjustments do not fully capture the added nursing intensity, pharmacy oversight or complication risk borne by hospitals. Equal pay for unequal regulatory burdens destabilizes the higher standard setting.

KHA opposes any proposal that caps Medicare reimbursements to hospitals at rates reserved for clinics and providers who do not have to meet hospitals' incredibly high legal and care standards.

NOT PROBLEM SOLVING, PROBLEM SHIFTING

The insurance industry is trying to build momentum for proposals that would apply such "site-neutral" cuts to the private marketplace, cramming government solutions into contract negotiations between them and hospitals. The insurance industry claims they can save \$8 billion in health care costs if Congress tilts private contracts between hospitals and insurance carriers toward insurers. The truth is that the costs will remain, but hospitals will be forced by federal law to shoulder them all.

Payment differentials help finance uncompensated care, underpaid Medicaid, and low-margin essential services such as obstetrics, trauma, burn, NICU and behavioral health. Cut the differential and you erode the cross-subsidy that keeps safety-net access open, especially in rural and inner-city settings. KHA opposes these attempts to alter the private health care marketplace in favor of insurance companies.

A CONGRESSIONAL SOLUTION

Vote against funding policies that implement site-neutral payments for hospitals, as well as policies that would create fixed payment rates from private insurers. Site-neutral payments would reduce access to critical health care services across Kansas communities.

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