TEXAS HOSPITAL ASSOCIATION

Oct. 28, 2015

On behalf of the nearly 500 member hospitals and health systems that comprise the Texas Hospital Association, I am writing to urge you to oppose the inclusion of site-neutral Medicare payment policies in any budget bill to raise the debt ceiling and lift budget caps.

Site-neutral payment policies are payment cuts. They would reduce hospital outpatient department Medicare reimbursement rates to those of physician offices in the community. While raising the debt ceiling and lifting budget caps to avoid a government default of payment obligations are fundamentally important, using hospital payment cuts as an offset would further erode Medicare payments to hospital outpatient departments and threaten patient access to care.

For a number of reasons, hospital outpatient departments should not be reimbursed at the same level as physician offices:

1) **Medicare already covers less than the cost of care.** According to MedPAC, hospitals' Medicare margins were negative 12.4 percent for outpatient services in 2013. Additional cuts to hospital outpatient department payments threaten beneficiary access.

2) **Hospitals care for uninsured, vulnerable and medically complex populations.** Site-neutral payment policies put critical hospital-based services at risk, such as care for low-income patients and underserved populations. Texas hospitals provide approximately $6 billion in uncompensated care each year. By contrast, many physician offices do not serve Medicaid or charity care patients. Relative to patients seen in physician offices, patients seen in HOPDs are:

- 2.5 times more likely to be Medicaid, self-pay or charity patients;
- 1.8 times more likely to be dually eligible for Medicare and Medicaid;
- 1.8 times more likely to live in high-poverty areas;
- 1.7 times more likely to live in low-income areas; and,
- 1.7 times more likely to be Black or Hispanic.

Compared with community-based physician offices, hospital outpatient departments treat patients with more severe chronic conditions and, in Medicare, have higher prior utilization of hospitals and emergency departments.

3) **Site-neutral payment policies undercut the ability of hospitals to continue serving as the primary provider of health care services in a large-scale emergency**. In a natural disaster, epidemic, terrorist attack or large-scale emergency, hospitals care for victims, regardless of ability to pay. These critical services, while often taken for granted, are essential components of our nation's health and public safety infrastructure. However, this role is not explicitly funded. There is no payment for a hospital and its staff to always be equipped and ready. Without such explicit funding,

this role is built into the cost structure of full-service hospitals and supported by revenue from direct patient care, which is a situation that does not exist for physician offices.

4) **Hospitals are subject to a higher level of oversight.** Hospital outpatient departments must comply with a much more comprehensive scope of licensing, accreditation and regulatory requirements than do community-based physician offices, resulting in a higher cost structure.

For these reasons, we respectfully ask that you oppose inclusion of site-neutral payment policies as a payment offset for lifting the debt ceiling and raising budget caps.

Thank you for your ongoing support of Texas hospitals and the patients we serve. Please contact Taylor Coffey, vice president, federal affairs, THA at tcoffey@tha.org or 979/575-9477 if you have any questions or if we can provide additional information.

Sincerely,

Ted Shaw
President/CEO
Texas Hospital Association