



Site Neutral Payments: A guide for purchasers

Different prices for the same service

In our current health care system, patients can receive the same services in a variety of settings: physician offices, hospital outpatient departments, urgent care centers, ambulatory surgical centers, etc. Researchers have studied whether health care quality and patient outcomes differ across care settings and found conclusively that for many services and procedures, the only meaningful difference is cost. When chemotherapy costs differ by up to 50% solely due to where the treatment takes place, purchasers and patients pay more without added benefit. Purchasers and their plan administrators can explore a site neutral payment approach to equalize the payment amounts for services across settings while maintaining the quality of care for patients.

In July 2019, the Covered California Health Exchange (Covered California) published a literature review on the impact of site of service on cost and utilization patterns for patients with commercial or Medicare Advantage coverage undergoing cancer treatment in either a hospital outpatient setting or a physician office.¹ The report cited three studies which each found that total adjusted costs were higher for patients treated in the hospital outpatient settings than in the physician offices.² The studies observed that the primary driver of the higher total adjusted costs was the site where the service was delivered, and not the intensity of treatments provided. In fact, all three studies found that the duration of the therapy, the number of treatments, and the intensity of infusion doses were lower in hospital outpatient clinics than in the physician offices. One of those studies, published in the Journal of Medical Economics, also found no difference in the quality of care at end of life for patients treated across the two care settings.³

What is the path forward for purchasers?

There is growing recognition that site neutral payment can be an effective strategy to manage health care costs, but putting the strategy into practice remains a challenge for purchasers. The Medicare Payment Advisory Commission (MedPAC) supports the use of site neutral payments and has developed guidelines and criteria to identify services and procedures that can be administered with equal effectiveness outside of more expensive hospital outpatient settings. In a 2013 analysis, MedPAC identified 24 services – mostly diagnostic tests - that met these criteria.⁴

¹ Covered California, "Current Best Evidence and Performance Measures for Improving Quality of Care and Delivery System Reform," Online Publication, (July 2019). Available at: https://hbex.coveredca.com/stakeholders/plan-management/library/coveredca_current_best_evidence_and_performance_measures_07-19.pdf

² Hopson S, Casebeer A, Stenkowski S, Antol DD, Tao Z, Howe A, Patton J, Small A, and A Masaquel, "Does site-of-care for oncology infusion therapy influence treatment patterns, cost, and quality in the United States?," Journal of Medical Economics (February 2018). Available at: <https://www.ncbi.nlm.nih.gov/pubmed/28945163>; Parthan A, Santos E, Becker L, Small A, Lalla D, Brammer M, and A Teitelbaum, "Health care utilization and costs by site of service for nonmetastatic breast cancer patients treated with trastuzumab." Journal of Managed Care Specialty Pharmacy (May 2014). Available at: <https://www.ncbi.nlm.nih.gov/pubmed/24761820>; Engel-Nitz NM, Yu EB, Becker LK, and Small A, "Service setting impact on costs for bevacizumab-treated oncology patients. American Journal of Managed Care." (November 2014) Available at: <https://www.ajmc.com/journals/issue/2014/2014-vol20-n11/service-setting-impact-on-costs-for-bevacizumab-treated-oncology-patients?p=2>

³ Hopson S, Casebeer A, Stenkowski S, Antol DD, Tao Z, Howe A, Patton J, Small A, and A Masaquel, "Does site-of-care for oncology infusion therapy influence treatment patterns, cost, and quality in the United States?," Journal of Medical Economics (February 2018). Available at: <https://www.ncbi.nlm.nih.gov/pubmed/28945163>

⁴ Medicare Payment Advisory Commission, "Medicare payment differences across ambulatory settings." Online Appendices (June 2013) Available at: http://www.medpac.gov/docs/default-source/reports/jun13_ch02_appendix.pdf Cited by Covered California (2019).



Many stakeholders advocate that CMS implement MedPAC's recommendations, and there has been some movement in this area.⁵ A 2018 Centers for Medicare & Medicaid Services (CMS) proposed rule sought to equalize Medicare Part B payments for physician office visits taking place at off-campus hospital outpatient departments. A court siding with the American Hospital Association struck down this proposal for 2019 on the premise that setting payment rates for only certain services and providers through a site-neutral payment approach "didn't qualify as a method for controlling unnecessary spikes in hospital use as the government had argued."⁶ Despite this ruling, CMS continues to pursue this strategy by including it in the 2020 Outpatient Prospective Payment System Rule, signaling momentum for site neutral payments as a means to address significant variation in payments for the same services in different settings.⁷

While CMS may face legal obstacles to implementing a site neutral payment approach in Traditional Medicare, payors in the commercial market have more flexibility. But purchasers will need to pressure payors to pursue such a strategy, as it will put payors at odds with hospitals and health systems. The literature review for Covered California recommended that it "consider options to encourage plans to impose payment neutrality requirements for the same services provided in different care settings"⁸ in the next contract period for participating carriers. Other large purchasers can also use their model contract language with health plans to encourage site neutral payments. Additionally, state regulations may be required to help purchasers and payors pursue these strategies. For example, to increase transparency around site of service cost differentials, Colorado passed HB 1282 – Colorado Health Care Provider Unique Identification Per Site Or Service –in 2018.⁹

Other ways to redirect care away from lower-value sites of service

In the absence of a clear path forward for purchasers and payors implementing site neutral payments, certain payment reform strategies could achieve similar outcomes. For example, total cost of care (TCOC) contracts, often used in the context of an accountable care organization (ACO) arrangement, could dissuade providers from charging different prices in different settings or from directing care to higher-priced sites.¹⁰ However, according to an analysis by Michael Chernew and Jermaine Heath, "ACOs with a smaller scope of practice (e.g., led by independent physician groups) have greater savings incentives than organizations that deliver a broader set of services (e.g., hospital-based systems)" because hospital-based systems may be wary of reducing utilization of their own services for fear of losing fee-for-service based revenue that a shared savings bonus may not sufficiently counterbalance.¹¹ While a TCOC payment reform strategy won't address site of service cost differentials directly, it may achieve the same intended outcome as site neutral payments when executed with the right provider partner (explore the direct contracting resources to learn more).

⁵ Adler, L. et al. "CMS' positive step on site-neutral payments and the case for going further." University of Southern California-Brookings Schaeffer Initiative for Health Policy (August 2018). Available at: <https://www.brookings.edu/blog/usc-brookings-schaeffer-on-health-policy/2018/08/10/cms-positive-step-on-site-neutral-payments-and-the-case-for-going-further/>

⁶ Luthi, Susannah, "Judge Tosses CMS' site-neutral pay policy," Modern Healthcare (September 17, 2019) Available at: <https://www.modernhealthcare.com/payment/judge-tosses-cms-site-neutral-pay-policy>

⁷ Cohrs, R, and Michael Brady, "Judge denies hospitals' request to strike down CMS site-neutral policy," Modern Healthcare (December 16, 2019) Available at: <https://www.modernhealthcare.com/law-regulation/judge-denies-hospitals-request-strike-down-cms-site-neutral-policy>

⁸ Covered California (2019) See Page 194.

⁹ For more information on state laws impacting health care cost and quality, visit <https://sourceonhealthcare.org/legislation/>

¹⁰ Frazee, TK. Et al. "'Eyes In The Home': ACOs Use Home Visits To Improve Care Management, Identify Needs, And Reduce Hospital Use" Health Affairs (June 2019) Available at: <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2019.00003>

¹¹ Chernew, M, and Jermaine Heath, "How Different Payment Models Support (or Undermine) a Sustainable Health Care System: Rating the Underlying Incentives and Building a Better Model," NEJM Catalyst (January 1, 2020). Available at: <https://catalyst.nejm.org/doi/full/10.1056/CAT.19.1084>



Finally, purchasers can design their benefits and educate their plan members to make sure they are aware of the different sites of service available to them. Health plans or other vendors may offer support in this regard, such as care navigation assistance that directs patients to lower-cost sites of service or helps providers refer patients to higher-value sites of care. Alternatively, purchasers can work in-house to redirect plan members to the highest-value settings for care. Former healthcare delivery benefits manager at Google, Rob Paczkowski, described this approach in an interview about efforts to connect Google plan members with the higher-value providers available to them.¹²

¹² Listening In (With Permission) podcast, "Google's Rob Paczkowski on getting Googlers to high-value providers," Catalyst for Payment Reform (April 15, 2019). Available at: <https://employerptp.org/>