

Memorandum

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From: Steven Heath
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Subject: **Analysis of the Potential Impact of Proposed Site Neutral Policies on Medicare Fee-for-Service Outpatient Expenditures**

The purpose of this memorandum is to summarize the methodology of our analysis of the current proposals to expand site neutral payments beyond the current specifications.

Please note that the data described in the memorandum apply only to the Fee-for Service (FFS) population. Medicare expenditure data is unavailable for the Medicare Advantage (MA) population. If we were to include MA, the dollar amount described in the analysis would likely double.

Currently, procedures performed at an off-campus site are modified with either the PN or the PO Healthcare Common Procedures Classification System (HCPCS) modifier. These modifiers are defined in the following way:

1. The PN modifier is used to indicate that a non-excepted service was provided at an off-campus provider-based department (PBD).
2. The PO modifier is used to indicate that an excepted service was provided at an off-campus PBD.

Ongoing discussions in Congressional Committees have raised the prominence and likelihood of some action in this direction in coming years.

In order to understand the potential impact of this we conducted an analysis using the 100 percent Center for Medicare and Medicaid Services (CMS) provided claims file. We limited this analysis to all short-term acute care hospitals.

Our analysis followed the following steps:

- Exclude all lines attached to a status indicator¹ showing that the service provided on the line is not payable under Outpatient Prospective Payment system (OPPS). Status indicators are published by CMS in Addendum D1 of the annual OPPS Notice of Proposed Rule Making (NPRM.) Addendum B provides a crosswalk of status indicators to HCPCS.
- We also excluded all lines with a HCPCS J-code.² J-codes are drugs administered other than oral method or chemotherapy.
- Identify all lines containing a HCPCS Modifier of PN or PO.

The outputs were presented in an Excel workbook with one line for each hospital. The findings are in several data columns.

- The column titled “Total OPPS Payments Subject to Site Neutrality” contains the paid amount for all Fee-for-Service claims that were not excluded and have no adjustments.
- The column titled “Impact of Off Campus Site Neutral Adjusted Payments (PO Modifier)” adjusted all the lines identified as having a procedure provided in an off campus setting that is currently excepted from site neutrality to the PFS level of 40 percent of the OPPS payment.
- The column titled “Impact of On Campus Site Neutral Adjusted Payments (No PN or PO Modifier)” adjusted all the lines identified as having a procedure provided in an on campus setting to the PFS level of 40 percent of the OPPS payment.
- The column titled “Total Impact of On Campus/Off Campus Site Neutral Adjusted Payments” Is the total of the previous two columns. This represents the upper limit of possible Medicare Fee-for-Service payment reductions under a site neutral system.

¹ The CMS OPPS status indicators are used to categorize services for payment under the Outpatient Prospective Payment System (OPPS).

² J-codes are drugs administered other than oral method or chemotherapy.