Fact Sheet: UC Health and Site-Neutral Payment for Hospital Outpatient Departments

UC Health
The University of California (UC) Health system is America’s largest academic health system, and includes 12 hospitals and 17 health professional schools across seven campuses located in Berkeley, Davis, Irvine, Los Angeles, Riverside, San Diego and San Francisco. It combines the strength of UC’s patient care, teaching and research.

UC has the nation’s largest health sciences instructional program with more than 14,000 students, while its five medical centers form an $8.5 billion enterprise providing broad access to world-class medical service as well as highly specialized care for patients with acute medical cases. Moreover, these five medical centers serve as a safety net for the state of California’s and contiguous states’ most vulnerable patient populations. Specifically:

- UC’s five academic medical centers serve as California’s fourth-largest healthcare delivery system, with approximately 41,000 employees, including more than 12,000 nurses.
- UC medical centers manage more than 165,000 inpatient admissions, 356,000 emergency room visits and 4.5 million outpatient visits each year.
- UC operates or staffs five major trauma centers, providing half of all transplants and one-fourth of extensive burn care in California.
- Nearly 60 percent of UC medical facilities’ patient days are for patients covered by Medicare or Medi-Cal, or who lack health insurance.

Section 603 of the Bipartisan Budget Act
On November 2, 2015, President Barack Obama signed into law the Bipartisan Budget Act (BBA) of 2015. The statute provides a budget for Fiscal Year (FY) 2016 and FY 2017, extends the debt ceiling to March 2017 and raises discretionary spending caps. Section 603 of the BBA significantly alters how new hospital outpatient departments (HOPDs) will be paid in the future. The site-neutral payment policy set forth in Section 603 will have an adverse impact on UC hospitals that built or acquired provider-based, off-campus hospital outpatient departments after November 2, 2015.

Beginning January 1, 2017, services provided at these “new” HOPDs will no longer be covered as outpatient prospective payment system (OPPS) services; rather, they will be covered under other Medicare Part B payment systems, such as the Medicare Physician Fee Schedule, the Clinical Laboratory Fee Schedule or the Ambulatory Surgery Center payment system, which reimburse services at lower rates as a consequence of not being bound to the heightened regulatory and accreditation requirements of hospitals.

UC Health is concerned with the Centers for Medicare and Medicaid Services’ (CMS) proposal to operationalize HOPD site-neutral payment proposals. Such a restrictive implementation of Section 603 runs afoul of the Affordable Care Act (ACA), which aims to improve Medicare beneficiaries’ quality of and access to care through coordinating patients’ overall care and meeting them where they are.
Implications for UC Health

CMS’s HOPD site-neutral payment policy proposals would severely restrict UC’s academic medical centers from being able to meet patients where they are, so they can receive necessary, innovative and high-quality healthcare. If the Calendar Year (CY) 2017 OPPS proposed rule’s site neutrality provisions are implemented as proposed, the following are examples of some of the UC Health projects that would be adversely affected:

- A new ambulatory care center located 1.5 miles from the main hospital campus. The center has been under development for three years and opened in April 2016. It includes the following hospital-based components: neurology outpatient clinic, gastroenterology outpatient clinic and procedure lab, neuroscience procedure suites, radiology and lab services and a multidisciplinary clinic.
- Relocation of a hospital-based pulmonary rehabilitation and pulmonary function testing lab from the wing of a hospital targeted for demolition due to California State seismic safety standards. The services are set to be relocated to existing hospital-based space that is 2.5 miles away from the hospital’s main campus.
- Expansion of an eating disorder treatment program that is celebrated regionally, as well as recognized nationally and internationally, for its work with adolescent and adult patients suffering from food-related psychiatric disorders.
- Outpatient cancer center services, including radiation oncology services, along with comprehensive clinical services for all age groups located in an underserved market.

Should Section 603 be implemented by CMS as proposed, the following planned projects may cease to be feasible for UC Health to pursue:

- Outpatient clinics established in underserved areas (including near the Mexico-U.S. border) to provide low-income, minority patients with access to primary care;
- Ambulatory clinics providing outpatient procedures;
- Ophthalmology and outpatient psychiatry clinics; and
- HOPDs providing access to sub-specialties not available elsewhere in the community.

NEXT STEPS

- Legislators should ask CMS to delay implementation of HOPD site-neutral payment proposals until the Agency can ensure equitable compensation for HOPDs providing medically necessary services directed to a specific patient community.
- Legislators should urge CMS to abide by the parameters of the BBA as it was legislatively intended and not implement site-neutral payment rules beyond what the statute prescribes, such as rules that penalize relocation and expanded services.
- Legislators should urge CMS to implement an exception to site-neutral payment policy for any HOPD that for reasons beyond an individual hospital’s control, like government action (e.g., CA state seismic construction regulations), acts of God, or unforeseeable property loss, must relocate or expand its services.
- Legislators should ask CMS to exempt HOPDs located on an academic medical center’s “geographic” campus from Section 603 of the BBA.