

## New AHA Report Shines Light on Misguided Site-Neutral Policies

A [new report](#) by the American Hospital Association takes a deeper look at how site-neutral payment policies would exacerbate losses hospitals receive under Medicare and pushes back against some of the misguided claims that have been pushed by proponents recently.

[Site-neutral payment policies](#) propose to cut hospital payments by paying hospital services at the same rates under Medicare as independent physician offices (IPOs). WHA has been [ramping up](#) its advocacy against site-neutral payment policies as [Congress has put them in the crosshairs](#) as of late.

Policymakers have claimed the rationale for examining these policies is that Medicare currently overpays for the care hospital outpatient departments provide. However, this new report casts doubt on that claim. It shows that hospitals, on average, lost 17.5% on total outpatient care provided to Medicare patients in 2021 and lost 16% on overall Medicare services when including inpatient care as well. Wisconsin's Medicare deficit is even worse; Wisconsin hospitals lost 29% on outpatient services in 2021 and lost 23% overall when you include inpatient care according to WHA's own analysis.

The AHA report details the numerous ways federal policies require hospitals to bear higher costs, including that hospitals:

- Must maintain 24/7 access for emergency care, as well as standby capacity for emergencies, disasters, and traumatic events.
- Have higher capabilities for things such as burn, neonatal, psychiatric, and other services.
- Have uncompensated care costs as safety-net providers.
- Are obligated to follow EMTALA standards.
- Must comply with more stringent regulations, including life safety codes, essential electrical systems, Medicare conditions of participation, and Joint Commission standards.

Importantly, hospitals receive no special payments for any of these obligations; they must somehow cover them only with revenue they receive from billing for direct patient care. That's despite the fact that hospitals lose hundreds of dollars per patient seen just for having standby care available for things like burns, wounds, infectious disease, and behavioral health.

The report also highlights a previous study from KNG Health covered in a [previous edition of the Valued Voice](#) that shows hospitals treat sicker, poorer, and more complex patients which all add up to higher costs for hospitals.

Finally, the report challenges a flawed assumption parroted in recent Congressional committee hearings that hospitals are acquiring physician practices to convert them to off-campus hospital outpatient departments (HOPDs) and charge Medicare higher payments. The report explains that under current law, any off-campus HOPD that was not billing Medicare before November 2015 (or granted a mid-build exemption) already receives only the site-neutral rate under the Medicare physician fee schedule for nearly all services. Additionally, physicians report they often sell their practices to hospitals not due to predatory actions by hospitals, but because they are already at a tipping point due to unsustainable Medicare and Medicaid reimbursement. Physicians also report a desire to have more financial security, an improved work-life balance, and the need to hand over to someone else the high regulatory and administrative burdens of complying with increasingly complex public and private insurer policies, such as prior authorization.

Lastly, the report looks at a study done by LevinPro HG, Levin Associates in June of 2023 which finds that private equity firms account for the largest acquisition by far of independent physician practices over the last five years. From 2019-2023 hospitals acquired only 6% of all physician practices sold. In contrast, private equity firms acquired 65% of practices and 14% of physician practice acquisitions were by other physician groups while another 11% were by health insurers. Importantly, the AHA report points out that only hospitals are required to maintain access to care for Medicare and Medicaid patients when they acquire physician practices while other groups are not.

Contact WHA Vice President Federal and State Relations [Jon Hoelter](#) with questions.

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