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Connecticut State Medical Society Testimony on
Senate Bill 40 An Act Requiring Site-Neutral Payments for Health Care Services
Insurance and Real Estate Committee
February 7, 2019

Senators Lesser, Representative Scanlon and Members of the Insurance and Real Estate Committee, on behalf of the physicians and physicians-in-training of the Connecticut State Medical Society (CSMS) thank you for the opportunity to present this testimony on **Senate Bill 40 An Act Requiring Site-Neutral Payments for Health Care Services**. We fully agree with the intent of this legislation that such differentials established by health insurers based are inconsistent with the best interest of patients and unfair to physicians.

CSMS first brought this issue to this Committee in 2010 with Senate Bill 255 An Act Prohibiting Differential Payment Rates to Health Care Providers For Colonoscopy or Endoscopic Services Based On Site Of Service. At that time, we pointed out that recent literature underscores significant problems with establishing site-of-service differentials related to reimbursement levels by site. In addition, such differentials can create incentives for physicians to perform procedures in settings to which they do not have access such as office-based suites or Ambulatory Service Centers (ASC), and penalizes physicians by reducing reimbursement in hospital-based facilities, failing to take into account that the same physician service is being provided regardless of the setting.

However, a lot has changed since the limited site-neutrality legislation proposed in 2010. The healthcare delivery landscape is almost unrecognizable from what it was six years ago, including a significant transformation in physician employment by setting and employer. For that reason, we welcome the opportunity to work with Committee members and the General Assembly to address this issue today to help confront health care cost issues that are impacting access to care in Connecticut. The first step should be a comprehensive review or study of per service costs, cost of episodes of care, utilization of services associated with the primary service being delivered, the cost of overhead for facilities that require more staffing to operate, and the quality of care and associated outcomes tied to site of service care delivery. We believe that once we gather that information, we can collectively develop the best legislation possible to ensure that the physician community and their patients are not negatively impacted by unintended consequences.

Site of service differentials exist across all payers. In 2016, the Physicians Advocacy Institute (PAI) commissioned a comprehensive study by Avalere Health to examine the real impact of site of service differentials for selected services in the Medicare payment system.

The Avalere Health study showed Medicare payments for cardiac imaging are **three times higher when services are provided in hospital outpatient departments than in physician offices** roughly $2,100 vs. $655, respectively. That study provided the first-ever look at full 'episode of care' spending for common procedures administered in different care settings.

Experts say Medicare's current approach of paying more for services in hospital-owned facilities has created a strong incentive for hospitals to acquire physician practices and build new satellite outpatient departments to maximize their revenue from Medicare. In this study, researchers compared Medicare payments for three common procedures typically performed either in a hospital outpatient department or a doctor's office: echocardiograms, colonoscopies, and evaluation and management services. Even after adjusting for certain risk factors, the study showed that for all three types of services, Medicare spends more when patients receive services in a hospital outpatient department instead of a physician office. The researchers in this study also looked at Medicare's payments for an entire 'episode of care'—the full 22-day period encompassing preparatory and follow-up care for a given procedure. Under this measurement, Medicare's payments for echocardiograms averaged $5,148 when provided in hospital outpatient departments but were $2,862 when provided in a physician's office.

This study seems to demonstrate that for some of the more common procedures, Medicare simply spends much less when patients receive treatment in a physician's office. The study also suggests, when looking at an entire 22-day episode of care, that when medical care is initiated in hospital-owned facilities, more services follow, and these services are also more costly, compared to care that's provided in a doctor's office. The payment differential that begins with the initial service appears to extend and is amplified throughout the entire episode for the Medicare patient.

The study found that 'episode-of-care' payments for colonoscopies and related services for Medicare patients are nearly 35 percent more when patients received care in hospital outpatient departments instead of physician offices. It also showed that payments for evaluation and management services for new patients were 29 percent more in hospital outpatient departments, as opposed to similar visits in offices.

As part of their methodology, Avalere researchers adjusted their findings to account for certain risk factors and demographic characteristics of patients who received care in the hospital setting, which can impact the cost of providing services.

While the study was limited to Medicare services, the problems and differentials presented in the study are common to all healthcare payers across the country.

We encourage you to read the full study at: http://www.physiciansadvocacyinstitute.org/Portals/0/assets/doc/Payment-Differentials-Across-Settings.pdf).

In this time of healthcare uncertainty, more than ever we need to support the efforts of solo and small practice physicians who work hard to stay viable in the community setting, and we look forward to working with Committee members on this important piece of legislation to assure fair and equitable payment for medical care and treatment across site of service.