Washington State Hospital Association

September 21, 2018

Ms. Seema Verma
Administrator
Centers for Medicare & Medicaid Services
Hubert H. Humphrey Building
200 Independence Avenue, S.W., Room 445-G
Washington, DC 20201

***RE: CMS-1695-P, Medicare Program; Proposed Changes to Hospital Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems and Quality Reporting Programs***

Dear Ms. Verma:

On behalf of the Washington State Hospital Association's 107 member hospitals, we appreciate the opportunity to comment on the Centers for Medicare & Medicaid Services' (CMS) proposed changes to payment for clinic services paid under the Hospital Outpatient Prospective System. The focus of our comments is our concern about the proposed reduction to office visit services at grandfathered off-campus hospital sites.

***Impact to Washington State and Patients.*** We strongly urge CMS not to implement its proposal to apply the proposed 60 percent reduction to clinic services provided at grandfather off-campus hospital department sites. Clinics operated by hospitals and health systems provide a significant proportion of the primary care and specialty care physician services available to Medicare patients, particularly in rural areas. The proposed cut is based on what we believe to be incorrect assumptions and would have significant negative impacts on access for services for vulnerable patients in many regions of our state. The American Hospital Association estimates the impact of the cut to Washington hospitals at around $30 million for 2019 and around $439 million over 10 years. Cuts of this magnitude threaten hospitals' ability to provide needed services, in some cases where there are few or no freestanding clinic alternatives in the community.

***Concerns of Congressional Intent.*** Congress consciously and specifically excluded existing services from the Section 603 payment changes authorized in balanced Budget Amendment in 2015. Congress' intent was to limit site-neutrality reductions to new venues and locations, not cut payments to services that have been properly provided and paid under the existing rules, in some cases for many years. What CMS now characterizes as "unnecessary" is the reaction by hospitals to preserve health care services in communities, supported by the existing federal payment policies.

***Hospital-Based Payment Maintains Access to Care to Medicare and Medicaid Patients.*** For several reasons, including unsustainable low reimbursement on Medicare fee schedule payments, payer mix, and increasing regulatory and technology requirements, many private practices have closed or severely limited access for Medicare patients. Services such as cancer care, wound care and other specialized services are clinically and financially unsustainable in a non-hospital context. In many communities, hospital-based clinics are the primary or only source of Medicare clinic services. In some cases,

establishment of off-campus hospital clinics was necessary to preserve services, in other cases to meet growing demands for services that had previously been unmet. An excellent example of this is at Olympic Medical Center in Port Angeles, Washington. Olympic Medical Center (OMC) is the sole provider of hospital and most specialty services for Clallam County, a large county which spans the width of the Olympic Peninsula. OMC also provides clinic and other outpatient services in Sequim, a community a half-hour's drive from the hospital with a large Medicare population. The next closest source of specialty services for the region's residents is several hours away by car and/or ferry. Because of unsustainable payor mix there are no other freestanding or independent clinics in the region. The payer mix is 58 percent Medicare with a combined total of 84 percent Medicare, Medicaid or other government. In addition to primary care, OMC provides the bulk of the specialty care referred from the local federally qualified health center and tribal centers through its off-campus hospital-based clinic sites. AHA estimates the one-year cut of the CMS proposal on OMC at $3.5 million and $47 million over a ten-year span, a catastrophic reduction for a 67-bed sole community hospital. We encourage you to refer to Olympic Medical Center's own comment letter for more detail.

Another example is Virginia Mason Memorial Hospital (VMM) in Yakima, Washington. VMM is the safety net hospital in that region, and like Olympic Medical Center has an unfavorable payor mix with a patient population of 70 percent Medicare and Medicaid. If CMS reduces payment rates for outpatient clinic visits at off-campus hospital-based departments, VMM will have to close some of its clinics. Most impacted will be the North Star Lodge Cancer Center and the Water's Edge Pain Center. Currently, there are no other providers within 35 miles of these facilities that offer similar cancer care and pain management services. At a time when the nation is searching for ways to respond to the opioid epidemic, it makes no sense from a patient or fiscal perspective to adopt policies that will reduce access to these services. AHA estimates the impact of CMS' proposal to VMM at $3.2 million for 2019, and $46 million over a ten-year period. We encourage you to refer to Virginia Mason's own comment letter for more detail.

There are several other member hospitals that facing similar cuts that can tell similar stories of how important critical hospital-based payment is to meet the Medicare access needs for their community and the negative impact of the proposed cuts.

We thank you for the opportunity to comment on this proposed rule. Please contact Andrew Busz if you have questions.

Sincerely,

Chelene Whiteaker
Senior Vice President, Government Affairs
Washington State Hospital Association
(206) 216-2545
chelenew@wsha.org

Andrew Busz, FAHM
Policy Director, Finance
Washington State Hospital Association
(206) 216-2533
andrewb@wsha.org